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WORLD NEWS

Finnish minister resigns after shares scandal

The $1.4bn privatisation of Sonera, the Finnish state telecoms operator, was thrown into controversy following the resignation of the communications minister and the dismissal of Sonera's chief executive over a share scandal. **Europe, Page 3**

World Cup plan astonishes soccer
A proposal from Fifa president Sepp Blatter, the head of soccer's world governing body, to hold the World Cup every two years instead of every four was greeted with astonishment within the sport. **International, Page 6; Soccer chief in cash row quits, Page 9**

UK pressure in warship dispute
The UK is stepping up pressure on France and Italy to resolve problems surrounding the £8bn ($13bn) Horizon frigate project, one of Europe's most important collaborative defence programmes. **Britain, Page 8**

Elizabeth Dole may be set to run
Elizabeth Dole, wife of 1996 Republican White House challenger Bob, is stepping down as head of the American Red Cross in a move widely seen as a prelude to a presidential bid. **US and Canada, Page 4**

Israel set for May elections
Israel's Knesset [parliament] completed its dissolution and approved the final readings of a bill to set elections for May 17, more than a year ahead of schedule, by a vote of 85 to 27. **International, Page 6**

Iraq bars 'hostile' imports
Iraq is imposing trade sanctions on countries it considers hostile and is barring purchases of food and medicine from the US, Britain, Japan and Switzerland. **Trade, Page 5**

VW and Jeep win awards
The Volkswagen AG Beetle and DaimlerChrysler AG's Jeep Grand Cherokee were named winners of the North American Car and Truck of the Year Awards.

Australia looks beyond Asia
Australia will open trade offices in South America and Eastern Europe as part of a campaign to develop new export markets and reduce the country's reliance on Asia. **Trade, Page 5**

Cyprus ministers resign
President Glafkos Clerides of Cyprus was seeking to patch up his government as two ministers resigned over his decision to cancel the deployment of Russian missiles. **Europe, Page 3**

Habibie calls for calm
Indonesia's President B.J. Habibie urged Indonesians to end the violence sweeping the country as thousands of troops fanned out after a weekend of bloodshed. **Asia-Pacific, Page 7**

Push on EU-SA trade talks
The UK government has agreed to try to speed up protracted European Union negotiations with South Africa on a free trade agreement. **Britain, Page 9**

S Korea optimistic on investment
South Korea said it expects a 70 per cent rise in foreign direct investment this year. **Asia-Pacific, Page 7**

BUSINESS NEWS

Dresdner spins off $15bn worth of non-banking stakes

Dresdner Bank, Germany's third largest, has spun off about DM25bn (€12.78bn, $15bn) of its shareholdings in other companies into separate units. The move accelerates the transformation of banking in Europe's largest economy. **Companies and Markets, Page 17**

Leo Kirch, the German broadcasting mogul, unveiled a restructuring plan that opens the door for outside investors to one of Europe's biggest media companies. **European companies, Page 22**

America Online, the internet service provider, said its customers had spent $1.2bn in purchases between November 26 and December 27. **Companies and Markets, Page 17**

PwC, the professional services firm, said fee income had jumped 19.9 per cent. **European companies, Page 22**

BP Amoco's opening share price was labelled "inaccurate" by dealers as the merged oil group became the largest single constituent of FTSE 100 index. **UK companies, Page 23**

Allianz, Germany's biggest insurance group, placed an innovative $150m international catastrophe bond option that provides coverage for wind, storm and hail risks written by its German subsidiaries. **European companies, Page 22**

Imperial Chemicals Industries, announced a restructuring of its troubled paints division and forecast earnings at the higher end of expectations. **Companies and Markets, Page 17; Observer, Page 15; Lex, Page 16; Competition regulator; Page 23**

AT&T, the US telecommunications group, is expected tomorrow to lay out detailed plans for its merger with TCI Communications. **US companies, Page 18**

Hongkong Telecom, which has lost its monopoly on international direct-dial calls, cut the cost of calls to its main markets by up to 30 per cent. **Companies and Markets, Page 17**

AMP, the Australian insurance and funds management group, is set to proceed with the A$3.3bn ($2.02bn) hostile offer for GIO Australia Holdings, the big general insurer. **Asia-Pacific companies, Page 20**

Caribbean banana exporters have reiterated their dismay at a US decision to impose punitive duties on imports from the European Union in the dispute over the EU's banana import regime. **World trade, Page 5**

Bank of New York, the US bank, is to set up a brokerage in London to handle trades for European institutions dealing on 40 equity and bond markets. **US companies, Page 18**

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
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NEW CURRENCY GAINS AGAINST THE DOLLAR ● EUROPEAN MARKETS SURGE STRONGLY ● D-MARK TRADING 'DISAPPEARS'

Stocks and bonds rise on euro debut

By Philip Coggan and Alan Beattie in London

A wave of "euro-phoria" swept through Europe's financial markets on the first official day of trading in the new single currency, with bonds and share prices moving sharply ahead.

The FTSE Ebloc 100 index, which consists purely of stocks in the euro-zone, surged 5.3 per cent on the day with the DAX in Frankfurt jumping 5.7 per cent and the CAC 40 in Paris 5.2 per cent. European government bonds rose by around a percentage point.

The euro itself gained ground against the US dollar, moving up to $1.19 in Asian trading, before settling back to the $1.18 level during European hours. When the currency was created last week, its indicated level was below $1.17.

Dealers said that, while business was subdued, the euro had almost completely taken over from its predecessor currencies. Trading in the D-Mark, which some had expected to continue alongside the euro, virtually disappeared.

While trading in the euro started smoothly, the new currency met its first technical glitch when a backlog of payments forced the European Central Bank to delay the closing of Target, its high value payment clearing system, by 90 minutes. Bankers said the delay caused no significant problems and other euro systems worked.

European stock markets were also helped by a strong start on Wall Street, where the Dow Jones Industrial Average recovered from New Year's Eve losses to be 150 points ahead by the time European markets closed.

While the FTSE 100 index in London failed to join in the rally, falling 3.2 to 5,879.4, the good news was not confined to countries in the euro-zone. The Athens stock market gained 6.7 per cent to an all-time high, partly on hopes that the successful launch of the euro would make it easier for Greece to join the single currency in 2001 and partly because of the abolition of the withholding tax on bond income at the start of the year.

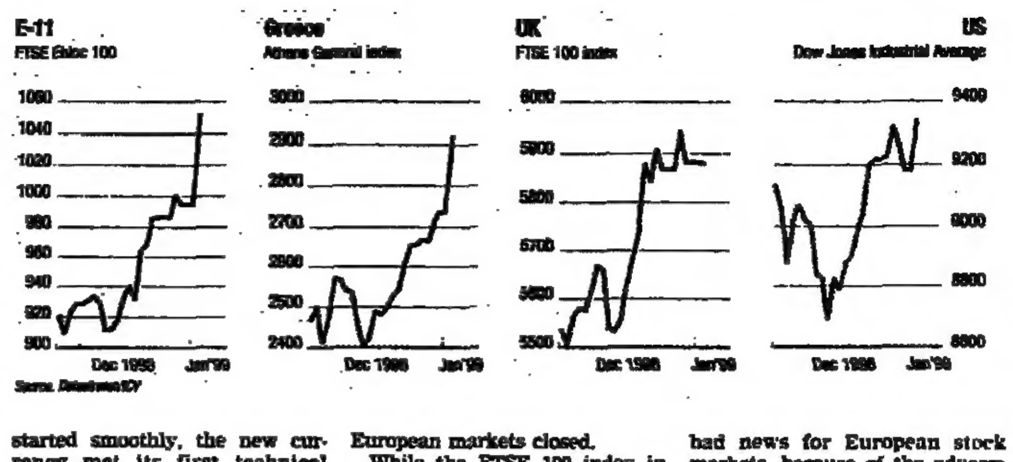
Normally, a strong currency is bad news for European stock markets, because of the adverse effect on the prospects for the continent's exporters. But in this case, the region's bourses rose in line with its new currency.

Richard Davidson, European strategist at Morgan Stanley Dean Witter, said: "The whole bloc is benefiting from an increased recognition of how positive monetary union is for European economies in terms of growth and structural change."

Analysts pointed out that Europe this year should see not only positive economic and corporate earnings growth, but also low inflation and possibly lower interest rates. That was an attractive option at a time when investors were nervous about emerging markets and high valuations in the US market.

The creation of the European single currency region is also expected to prompt a further round of European takeovers and mergers. Some companies will be looking to achieve the scale required to compete and others will be trying to cut costs as European markets become more competitive. Both trends should be supportive of share prices.

Some analysts saw yesterday's share prices strength as a knee-jerk reaction. "I will be amazed if this rally can last all that long as we see the slowdown in Europe's economy coming through and if the euro continues on its relatively strong tack," said James Montier, global strategist at BT Alex Brown.



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Eaton predicts European car link in 'next 90 days'

DaimlerChrysler chairman adds to speculation at Detroit show

By Haig Simonian in Detroit

Robert Eaton, joint chairman of DaimlerChrysler, the world's second biggest carmaker, added to speculation in the car industry yesterday when he said he believed a significant deal between two European manufacturers would be announced, "within the next 90 days".

Mr Eaton, who with Jürgen Schrempp, former chairman of Germany's Daimler, created DaimlerChrysler, one of the world's largest industrial mergers, declined to say which carmakers might be involved.

But industry speculation has cited Ford and Sweden's Volvo in a possible tie-up as well as a link between Volvo and Italy's Fiat.

"I believe 1999 will be a year of restructuring," said Jim Donaldson, president of Ford of Europe. Mr Donaldson declined to comment on reports that Ford was in talks with Volvo.

The Swedish group is also known to be in discussions with Fiat about potential co-operation, which could result in a merger. Reports of the Ford and Fiat discussions triggered rises in the shares of the Swedish and Italian carmakers last month.

Mr Eaton's remarks at the Detroit motor show highlight the general excitement in the industry that 1999 will bring further consolidation in the face of chronic overcapacity and cut-throat competition.

"I'd say it [a deal] is possible," said Jack Smith, chairman of General Motor. Mr Smith confirmed GM was talking to a number of carmakers about co-operation on individual ventures, but denied it was in any big takeover talks.

Dieter Zetsche, head of sales and distribution at DaimlerChrysler, said a Fiat-Volvo deal, either as a full scale merger or limited to commercial vehicles, could make sense.

The two companies are broadly complementary in products and geography.

Fiat's predominantly small cars are most popular in southern Europe, while Volvo's bigger vehicles are strongest in northern Europe, the US – where Fiat is not represented – and Asia.

The two groups' commercial vehicles activities also mesh well, as do their smaller businesses in farm and construction equipment, marine and jet engines.

The possibility of Fiat being involved in some form of consolidation has gained credence in recent months with the arrival in late October of Paolo Fresco as chairman. Mr Fresco, formerly a senior executive at General Electric, gained a strong reputation in his previous role for dealmaking.

All the participants have declined to comment on the talks. However, it is known that many manufacturers are in discussions about joint ventures, and broader alliances to gain economies of scale and cut costs.

Double act: Robert Eaton, left, and Jürgen Schrempp, joint chairmen of DaimlerChrysler, greet guests at the Detroit motor show Picture: Reuters

German carmakers, Page 18

Japanese PM signals changes to cabinet

By Michiyo Nakamoto in Tokyo

Japanese prime minister Keizo Obuchi indicated yesterday he would reshuffle his cabinet next week after he returns from a tour of Europe.

The reshuffle will bring into government members of the Liberal party, with which the ruling Liberal Democratic party recently agreed to form a coalition.

"It will be somewhat difficult [to form a coalition] before I go to Europe," said Mr Obuchi at a news conference before the trip, which begins tomorrow.

Mr Obuchi is unlikely to make big changes and it is expected that the Liberal party will receive at most two relatively minor cabinet positions.

The prime minister has called for Ichiro Ozawa, head of the Liberal party, to assume a cabinet post himself, but Mr Ozawa is reluctant.

"I have asked him to join the cabinet, but as of this moment it doesn't look like it will happen," Mr Obuchi told the news conference.

The coalition will give the LDP more flexibility in passing legislation through the Diet (parliament) during the session that begins on January 19.

The LDP lacks a majority in the upper house of the Diet, following an election defeat last summer.

However, the deal has been marred by disagreements over key issues, which have threatened to undo the coalition before it was formed.

As conditions for joining, the Liberal party had initially demanded a one-year freeze on consumption tax, revision of the constitution to allow defence forces to join United Nations peacekeeping duties and three fewer cabinet posts.

But Mr Obuchi has managed to scale back the Liberal party's demands. The consumption tax is unlikely to be frozen, the constitution is not likely to be revised yet and only two cabinet posts are likely to be cut.

Mr Ozawa's apparently firm stance and the LDP's uneasiness about his role mean the coalition government will continue to be troubled by friction even after formation.

Mr Ozawa, who left the LDP five years ago, has the support of certain factions within the ruling party but is strongly resented by its key members.

Even if the LDP manages to overcome the friction, the growing view is that Mr Ozawa will continue to be a destabilising force for the government.

WORLD MARKETS

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	9,307.85	(+125.42)
NASDAQ Composite	2,229.01	(+36.32)
Europe and Far East		
CAC40	4,147.50	(+204.84)
DAX	5,252.36	(+249.97)
FTSE 100	5,879.4	(-3.2)
FTSE Eurotop 300	1,214.04	(+52.07)
Nikkei	13,415.89	(-426.28)
US LUNCHTIME RATES		
Federal Funds	5⅛%	
3-mth Treas Bills: Yld	4.49%	
Long Bond	101¼	
Yield	5.17%	
OTHER RATES		
UK: 3-mo Interbank	6⅛%	(same)
UK: 10 yr Gilt	(u)	(136.83)
BBA Eurolibor	3 7/32%	(3¼%)
Germany: 10 yr Bund	(u)	(106.84)
Japan: 10 yr JGB	(u)	(98.308)
NORTH SEA OIL (Argus)		
Brent Dated	$10.6	(11.02)

GOLD		
New York: Comex		
(Feb)	$288.3	(289.2)
London:		
	$288.75	(287.75
DOLLAR		
New York: lunchtime		
£	1.65705	
€	0.8475	
SFr	1.36525	
Y	111.775	
London:		
£	1.6599	(1.6693)
€	1.1789	(-)
SFr	1.3683	(1.3735)
Y	112.645	(112.80)
Tokyo close:		Y 113.5
EURO (London)		
$	1.1799	(-)
£	0.7109	(-)
Y	132.91	(-)
SFr	1.6145	(-)

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Eurozone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr285	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr16.00	Latvia	Ls1.65	South Africa	R16
Estonia	EKr34.00	Lithuania	Lit21.00	Spain	Pta325(€1.95)
Finland	FmK13.00(€2.19)	Lebanon	LBP3.500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.75	Morocco	Dh18.00	Syria	S£80.00
Greece	Dr500	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft300	Norway	NKr19.00	UAE	Dh13.00

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VIEW FROM THE TRADING ROOM EURO MAKES CALM, REASSURING DEBUT BUT THIN VOLUME INDICATES MOOD OF CAUTION

Dealers quick to adopt new currency

By Alan Beattie in London and Tony Barber in Frankfurt

The euro made a calm and reassuring start on its first full day in the world's currency markets yesterday. But some dealers were surprised by the speed with which it replaced the outgoing currencies of the euro-zone.

"It was a momentous occasion, but not a monumental trading day," said Guy Whittaker, global head of foreign exchange at Citibank in London. "Traders have come back from their New Year break with enthusiasm for the new currency but not for taking risks."

After climbing to $1.19 against the dollar in the Asian session yesterday, the euro settled back to trade around $1.18 for the duration of European trading hours. This was still higher than the level below $1.17 at its creation on December 31.

Dealers estimated that the volume of trading in the London market was around half the normal level. "It started very thin this morning but picked up a bit later in the day," said David Bloom, currency economist at HSBC in London.

The lack of liquidity in the London market meant that spreads between the rates at which banks bought and sold foreign exchange were about four times wider than usual. But traders expected spreads to narrow in coming weeks.

Some analysts expressed surprise that separate trading in the D-Mark, which many had expected to continue for some time alongside deals in the euro, almost completely disappeared from the moment the markets opened.

"There have been so few deals in the legacy currencies that it is impossible even to draw a sensible chart of the DMark against the dollar over the day," said Tony Norfield at ABNAmro in London.

"The jump to dealing entirely in the euro has been much quicker than the market had expected."

Some rumours circulated in the London market that the European Central Bank (ECB) had intervened to prevent the euro rising too quickly against the dollar during the Asian trading session. But Mr Bloom said any intervention was likely to be limited to smoothing the euro's path by offering liquidity to the market, rather than attempting to target a particular level.

The euro made a similarly flawless if subdued debut in Germany's foreign exchange trading rooms yesterday.

"Our systems are up and the trading machines are running quite smoothly," said Alfred Schorno, global head of foreign exchange at Commerzbank, Germany's fourth largest bank, which employs 49 traders in derivatives and spot and forward currency trading.

"Nevertheless a lot of people are trying to get used to the new dollar/euro levels, because they have been quoting the dollar against the mark for the last 20 years," he said.

To guard against slip-ups, Commerzbank instructed its dealers to be extremely precise in the course of a deal. Whereas in earlier times a trader might have called out simply: "I'm selling 10 dollars" – meaning a sale of $10m for D-Marks – yesterday he was under orders to specify that he was selling dollars for euros.

Trading in the euro began at Commerzbank's skyscraper headquarters in Frankfurt at 6am, when the bank's dealers took over from their colleagues in east Asia.

Mr Schorno estimated that trading volume in the German market was running at about a quarter of its normal level. Only about 700 of Commerzbank's 70,000 corporate customers had requested euro-denominated deals, the bank said.

Andreas Rüger, the bank's vice-president of foreign exchange, said dollar/euro deals represented about two-thirds of all business done. "No one wants to take risks for the moment," he added.

Opening hours of Target extended

By George Graham in London and Tony Barber in Frankfurt

Europe's new currency suffered its first significant glitch yesterday when Target, the new high value payments system, had to push back its closing time by an hour and a half to cope with the billions of euros flowing around Europe.

Banks using the system said euros flowed smoothly for most of the first day of operation for Target, a new system set up by the European Central Bank to link high value payments systems in the 15 countries of the European Union.

But backlogs of payments at 5pm GMT, especially in Germany, obliged the ECB to extend the Target opening hours to 6.30pm GMT.

The ECB said some bottlenecks were to be expected at the launch of the new system but that the delay would not stop the system from starting smoothly today. Commercial banks were relaxed about the delay.

"I think this shows the system worked. Most players had some payments backed up that they were happy to get through, and the extension allowed us to make sure that high value settlement payments got into the system," said Jim Witkins at Barclays Bank in the UK.

National payments systems linked to Target, including Chaps Euro in the UK, functioned smoothly. Bankers said EAF, the main Frankfurt system, had handled good volumes of payments. So too did the Euro Banking Association system, which clears net balances at the end of the day rather than making gross transfers in the course of the day, as Target does.

"Target has worked every time we have tried to use it. Where we had any blockages, we have been able to work around them," said Bill Grant, Emu project director at Citibank, the banking arm of the US's Citigroup financial services conglomerate.

"It has been a relatively light day, but we have still processed in excess of £20bn ($23.4bn) of payments in and out, and all our clearing links are flowing smoothly," Mr Grant added.

Banks said their preparations for the euro conversion weekend had stood them in good stead, and few problems had emerged in the course of yesterday's operations. At the Frankfurt headquarters of Commerzbank, Germany's fourth largest bank, a morning review conducted by top executives determined that the weekend conversion to the euro had gone almost flawlessly. The only minor hitch, quickly solved, concerned euro data that Commerzbank was not able to transmit to some health insurance clients because the insurers' computer systems rejected the information.

Until now, banks knew that any D-Mark payments they were expecting would arrive in Frankfurt, while any French francs would reach them in Paris. From today, however, euros could be delivered to them in any of 15 countries, and some banks have been worried that misdirected payments could throw out their treasury management.

US not fazed by early gains

By John Authers in New York

The euro's early gains against the dollar yesterday failed to create great concern in the US.

Senior US policymakers pledged their support for European economic and monetary union. At a press conference, Robert Rubin, treasury secretary, stressed the initiative's benefits for the US.

Mr Rubin said: "We've said many times, if it's good for Europe, that's good for the US. I have no doubt markets will fluctuate as they always do, that is not where our focus needs to be."

Lawrence Summers, Mr Rubin's deputy, said: "As far as the dollar is concerned, the buck stops here. As long as we keep our fundamentals strong, I think the dollar [and] US borrowing costs will do just fine."

Over the last two weeks the US media has given heavy coverage to the launch of the euro. CNBC, the business channel owned by General Electric, chose to base its programmes yesterday in Frankfurt, while most of the big newspapers put the story on their front pages. The financial services industry has also invested heavily in an attempt to take advantage of the new currency. US banks lead the market in foreign exchange and expect to increase their revenues as a result of the new currency. Chase Manhattan is predicting an increase of $250m in annual clearing revenues within five years, as a result of the currency change.

But there was no evidence yesterday that it had excited the interest of individual investors.

T Rowe Price, one of the largest US mutual fund managers, reported that it had had no inquiries about the euro from customers.

Charles Schwab, the largest US discount broker, which does most of its business over the telephone and the internet, also reported minimal interest from customers in the new currency.

Traditionally, US small investors leave most of their money in the US. They were briefly tempted into emerging markets and Asia, while Europe has generally been unfashionable.

But Warburg Pincus, a large New York fund manager, launched a new mutual fund yesterday which would be invested in large-cap western European companies and managed by Credit Suisse Asset Management.

Mixture of delight, relief and a little spending 'just for fun'

First day of trading greeted as a political watershed for European Union but euro made little impact on the high street

By Our International Staff

Leaders of the European Union yesterday greeted the successful first day of financial trading in the euro with a mixture of delight, relief and caution.

As for the men and women on the street, the chances were that they did not even notice, with the advent of euro notes and coins still three years away. Only a handful chose to pay bills in euros with credit cards or cheques, and they did so mostly "just for fun", according to one French supermarket owner.

In France, President Jacques Chirac described the new currency as "an historic opportunity for our people", calling for the creation of "a social Europe, and a European identity."

Dominique Strauss-Kahn, the French finance minister, also stressed the political watershed for the EU, saying: "We are at the beginning of a great political project."

Bonn's reaction to the euro launch was surprisingly low-key, with Gerhard Schröder, the new federal chancellor, still on his New Year holiday. His comments were confined to an interview with Der Spiegel, the weekly magazine, saying that the main task now was "to make the euro a success".

As for Italy, there was as much relief from senior politicians that the country had defied the sceptics and become a fully-fledged participant in the single currency, as there was jubilation.

Yet throughout the EU, the smooth launch was seen as justification for the commitment and determination of the 11 founding members of the euro-zone. At a ceremony to mark the close of the first day of euro-denominated trading on the Brussels stock exchange, Jacques Santer, president of the European commission, allowed himself a little emotion. "Until now, the euro was only a project," he said. "Today, for the first time, we have been able to see and use it. You will understand that it is with a certain emotion that I watch a project, around which all our efforts have converged, take concrete form."

Critical comments came from trade union leaders in several member states of the euro-zone, who issued warnings about the continuing threat of joblessness, and even rising unemployment.

The French socialist government headed by Lionel Jospin came under fire both from its Communist partners, and from its traditional trade union allies. A joint statement issued by the three leading trade union federations warned against changes which symbolised "a purely liberal European construction, without any consideration for jobs".

Mr Chirac himself urged that the introduction of the euro should not lead to new social tension. "We must ensure that the great changes implied by the advent of a new currency do not translate into new divisions between the young and the old, between the private and public sectors," he said.

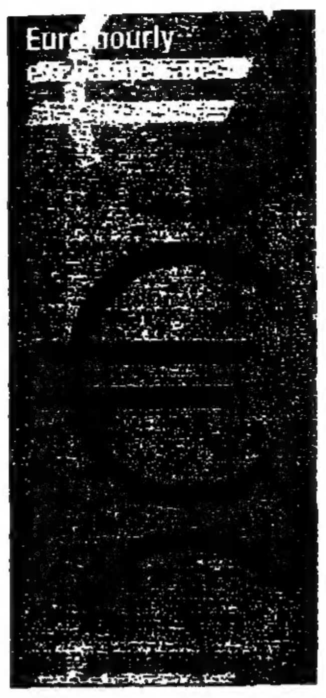
In Italy, Massimo D'Alema, the prime minister, said the new currency signalled "the end of the economic model that has marked recent decades... based on budget hand-outs by the state, financed increasingly through public debt."

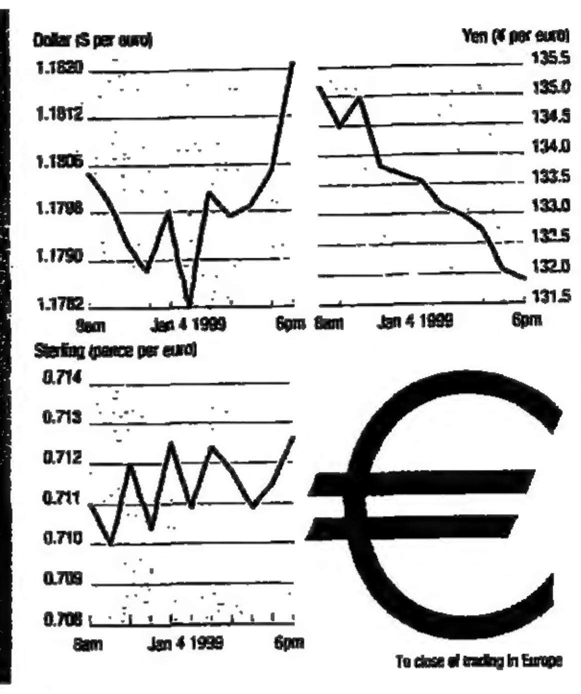
Romano Prodi, the former prime minister who steered Italy through the final stages of its Emu application, but lost office three months ago, was more blunt. "My first thought is, thank God," he said. "If we had been left outside, it would have been a disaster for this country. My second thought is that we have put our public accounts in order but we still have a long road ahead of us."

Mario Monti, one of Italy's two European commissioners, said his country had finally won its "war of liberation from the lira," a currency that symbolised tolerance of a weak exchange rate and of high budget deficits. But on the streets of Rome, reaction to the opening of trading in the new currency was more muted. Few Italians were going to the trouble of opening new euro accounts at banks and there was confusion at some shops.

In Germany, Mr Schröder's reticence reflected the small impact the euro has had so far on everyday life in Germany. "For most people nothing has happened. They don't have euros in their pockets," said one Bonn official. "The introduction of the euro has been relatively calm, the political reaction has been relatively calm."

Bild, the biggest mass market newspaper, celebrated the euro's launch at the weekend with a front page headline predicting lower prices for consumers.





To close of trading in Europe

By yesterday, Bild was devoting as much space to the price war in the German telecommunications market.

Although opinion polls suggest Germans are warming to the new currency, there remains a good deal of scepticism. As the Frankfurter Allgemeine newspaper argued, "the D-Mark still enjoys today a deep trust by the German people that the euro has yet to acquire."

Nevertheless, the German government sees the euro's launch as an important stage in the European Union's development. Oskar Lafontaine, finance minister, said the currency union should mark "the beginning of a new politics" – specifically a joint approach towards tackling unemployment.

The Belgian government has little choice but to play up the euro's importance, because qualifying for membership has been the excuse for drastic austerity measures, including a three-year wage freeze. Jean-Luc Dehaene, prime minister, struck a suitably triumphant note at a champagne reception at close of trading on the Brussels bourse yesterday, calling Emu the "one truly historic project" in the post-war European economy.

But the celebration was mixed with a warning that the task was far from over. "We must not underestimate the change needed in our habits," he said. He was referring to the habits of daily life, but he might as easily have been talking about the government's fiscal policy. Belgium's public debt is roughly double the limit stated in the Maastricht treaty.

Declarations of triumph and pride by Spanish ministers in the past few days have also been mixed with notes of caution about the challenges ahead, if Spain is to compete effectively and raise its income levels to the standards of partner nations.

José María Aznar, prime minister, warned at the weekend that companies had to wean themselves off a "subsidy culture".

Spanish labour leaders also voiced concern. The General Workers' Union (UGT) countered what it described as a "propaganda broadside". It accused the government of being obsessed with cutting its deficit and ranking "among the first in the euro race", while Spain still lagged behind other EU countries in employment and welfare.

BRITISH REACTION PRIME MINISTER STRESSES THE GOVERNMENT'S COMMITMENT TO JOINING THE EURO IN PRINCIPLE

Blair calls for debate on UK membership

By David Wighton in London

The British government yesterday marked the launch of the euro with calls for an "honest debate" over sterling's membership of the single currency.

Tony Blair, prime minister, said Britain had nothing to fear from the fact that Europe was now at the heart of the country's political debate and stressed the government's commitment to join the euro in principle.

But opponents used the launch to renew claims that the UK could prosper outside the single currency and stressed the strength of opposition among the British people. Mr Blair's spokesman dismissed a poll by the UK's biggest selling newspaper, The Sun, in which 77 per cent of readers responding said Britain should rule out joining the euro. The poll was "not representative of British public opinion", the spokesman said.

In a newspaper article, Mr Blair underlined the benefits to Europe of a successful single currency and played down the risks of joining. He said the UK needed "a period of settled and sustainable convergence before we are in a position to take a decision".

The government is under pressure from business to give a timetable for Britain joining the single currency, subject to a referendum. Business has also called for ministers to take more of a lead in the campaign to persuade the population of the benefits of membership.

But the government showed itself still reluctant to take on the largely euro-sceptic British press.

Mr Blair's spokesman said the advent of the euro was a "huge event" which would "focus minds" and generate a far more "honest" debate. "But it doesn't change the government's position on it."

Asked if it was a question of "when" rather than "if" Britain joined the euro, Mr Blair's official spokesman yesterday declined to be drawn. "The government's position on the single currency is clear. The government supports it in principle provided there are clear and unambiguous benefits."

Eddie George, the government of the Bank of England, yesterday offered support for the government's cautious position.

"We are at a different phase in the cycle and that is one of the reasons why it would have actually been a complication both for the creation of the euro and for management of the economy in this country if we had actually been part of today's great historic change."

While the government praised the efforts of the City to prepare for the launch of the euro, opponents of Britain's membership claimed it showed that the City's interests would not be threatened if sterling remained outside the single currency.

Francis Maude, the shadow chancellor, said the City would remain the world's leading financial centre regardless of UK membership.

"It seems increasingly likely that, far from suffering outside the euro-zone, there may now be an opportunity for the City to take advantage of being outside the euro and make its position even stronger than before," he said.

Clear skies viewed from the euro-tower

The currency's smooth trading will be good for the European Central Bank's self-confidence, reports Wolfgang Münchau

ECB watch

Real life has just begun for the European Central Bank, and every indication is that the view from inside the euro-tower in Frankfurt is rosy.

The clearest sign of this came yesterday, the first full day of trading in the euro. The ECB had only two things to say: first that its Target system for payments settlement was up and running smoothly despite a 90-minute extension to cope with a settlements back-up. Second, that it was calling for bids on 13-day refinancing agreements at a fixed rate of 3.00 per cent in its first standard tender operation.

The bank could have been putting out fires, issuing reassurances and denying market rumours, but none of that was necessary. Even if the Target system settlements did back up, the day had gone as smoothly as the bank could have hoped. The euro's modest rise against the dollar suggested market confidence in the currency; stock markets soared; and the technical changeover was fairly smooth.

The ECB will take comfort and a fair share of the credit for such a smooth start to an ambitious project. For an institution with no history or track record, this was a vitally important test to pass and will no doubt boost the ECB's self-confidence.

There were clear signs of growing confidence emerging from Frankfurt even before the euro's launch. Wim Duisenberg, the ECB's president, announced in a French newspaper interview that he would not retire after four years, something Jacques Chirac, French president, had demanded as a condition of Mr Duisenberg's appointment last May. This was a clear signal that the ECB and its president will not allow themselves to be pushed around and could have advantages.

A self-confident central bank may be less inclined to engage in vain demonstrations of its independence. As Otmar Issing, the ECB's chief economist, said at a recent press conference, it is the job of a central bank to conduct the right monetary policy and not to defy politicians for the sake of it – especially if the politicians happen to be right.

This maxim may not have been heeded last autumn, when the central banks appeared to dig in their heels against calls from European politicians to lower interest rates. Once the banks finally did join in lowering rates across the euro-zone to 3.0 per cent, several German central bankers said privately they might have cut interest rates earlier had it not been for political pressure. This suggests the central bankers knowingly conducted the wrong policy to keep up an appearance of independence.

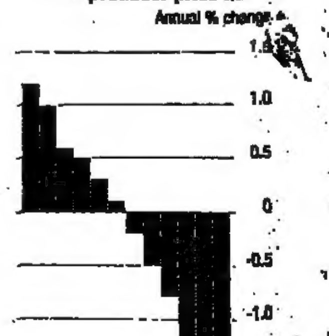
As the ECB enters its first months of active central banking, however, it faces no such genuine policy dilemmas. The risks of deflation and inflation are finely balanced, but neither seems probable in the foreseeable future. The present level of short-term interest rates of 3.0 per cent looks about right. In fact, the ECB last month set the overnight deposit rate at 2.75 per cent and the marginal lending rate at 3.25 per cent until January 21 – a clear signal that short-term interest rates will remain on hold, at least throughout this period. Few analysts predict a rate cut in either February or March, though many still expect one later in the year.

Economic indicators for euro-11 countries

	Nov 1998	Oct 1998	Sep 1998	Aug 1998	Jul 1998	Jun 98	1997	1996
Inflation (annual % change)	0.9	1.0	1.0	1.2	1.4	1.4	1.6†	2.2†
Unemployment (%)	n/a	10.8	10.9	11.0	11.0	11.1	11.6	11.6
Trade (Ecu bn)								
Exports	n/a	n/a	66.0	58.0	72.3	70.0	760.8	667.7
Imports	n/a	n/a	60.8	49.5	58.9	61.5	671.4	594.2
Trade balance	n/a	n/a	5.2	8.5	13.5	8.4	89.4	73.5
Current account (Ecu bn)	Q2 1998		Q1 1998	Q4 1997		Q3 1997		Q2 1997
Current account balance	24.7		12.2	20.6		26.1		24.0
As % of GDP	1.7		0.9	2.0		1.9		1.7
Industrial production (%) (3 mo over previous 3 mo)	Jul-Sep/ Apr-Jun		Jun-Aug/ Mar-May	May-Jul/ Feb-Apr		Apr-Jun/ Jan-Mar	1997	1996
	0.7		0.8	0.8		0.9	4.1††	0.8††
GDP growth (%)	Q3 1998		Q2 1998	Q1 1998		Q4 1997	1997	1996
Over same quarter last year	2.4		2.5	3.8		3.2	2.5	1.6
Money supply	Oct 1998	Sep 1998		Aug 1998	Jul 1998	Jun 98		May 98
M3 Annual growth rate (%)	4.8	4.3		4.5	5.0	5.3		5.2

* provisional ~ estimated † estimated due to Ireland, for which quarterly index numbers for 1995 and 1996 were used to estimate the monthly ones
†† annual % change

E-11 producer price index



Source: Eurostat

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NEWS DIGEST

GERMAN IMMIGRATION POLICY

Opposition parties clash over citizenship plans

German opposition parties clashed yesterday over plans to launch a petition against the new centre-left government's proposal to allow dual citizenship.

The plans were announced over the weekend by the conservative Christian Democrat Union. Their Bavarian allies, the Christian Social Union, signed up to the drive as well. But their former coalition partner, the liberal Free Democrats, attacked the plans yesterday. Guido Westerwelle, the FDP's general secretary, accused the CDU-CSU of making "immigration policies from the gut".

The Free Democrats had repeatedly tried to reform Germany's blood-based citizenship laws while part of former Chancellor Helmut Kohl's coalition government, but were hindered by their more conservative partners.

Opponents of dual citizenship argue it would give special privileges to foreigners and lead to potentially dangerous conflicting loyalties. Wolfgang Schäuble, CDU chairman, said the petition drive was not motivated by anti-foreigner sentiment but a desire to control immigration and promote integration of those foreigners already in Germany.

"The regular acceptance of double citizenship is poison for integration as well as for inner peace," Mr Schäuble said. He said the petition drive would start at a CDU-CSU leadership meeting on January 24. **AP, Bonn**

EU FRAUD ALLEGATIONS

Brussels official suspended

The European Commission said yesterday it had suspended an official who made allegations about fraud within the European Union. The move comes a week before the European parliament is due to hold a vote of confidence in the EU executive, which could lead to the sack for the Commission's 20 members.

The Belgian newspaper De Morgen reported that Paul van Buitenen, a member of the Commission's financial control unit, had been suspended on December 16 after sending the assembly a damning report alleging fraud was more widespread than previously acknowledged.

Mr van Buitenen's report was one factor that led the parliament's assembly to refuse to approve the EU's 1996 accounts on December 17 and table a no-confidence motion in the Commission. That vote is scheduled to take place during the assembly's regular monthly sitting in Strasbourg next week.

A Commission spokeswoman confirmed the substance of De Morgen's report but declined to comment further or to name Mr van Buitenen. The Greens group in the European parliament said it would ask Erkki Liikanen, EU budget commissioner, this week about the reasons for the sanctions against Mr van Buitenen.

In recent months, the Commission has faced repeated allegations of mismanagement of the EU aid budget and the hiring of staff through outside consultancies or contractors. **Reuters, Brussels**

FRENCH INTERIOR MINISTER

Chevènement returns to work

Jean-Pierre Chevènement, France's interior minister, returned to work yesterday, four months after falling into an eight-day coma following routine surgery. Mr Chevènement marked the occasion by hosting the traditional New Year breakfast meeting of his fellow cabinet members.

A highly popular and influential member of the leftwing government, he suffered a severe allergic reaction to anaesthesia during a gall bladder operation in September. Speaking later of his brush with death, Mr Chevènement, 59, told the weekly Paris Match: "I had reached the other shore." **Reuters, Paris**

TOBACCO PRICES

Paris imposes 5% tax

Tobacco prices rose 5 per cent on average in France yesterday, following the implementation of a tax increase as part of the government's 1999 budget.

The tax, which should raise an estimated FFr2bn (€305m, $358m) in new receipts, was passed through unevenly to consumers, as tobacco companies sought to reduce the impact on their best-selling brands. For example, Seita, the privatised French cigarette manufacturer, increased prices of its Gauloises and Royale brands by 4.5 per cent and 2.5 per cent respectively, while Gitanes were raised by almost 10 per cent. **Samer Iskandar, Paris**

SPANISH ENVIRONMENT

Acidic water spill

Spanish ecologists accused two chemical companies yesterday of environmental crimes after they accidentally released at least 50,000 cubic metres of acidic water into a river in southern Spain last week.

The fertiliser companies, Fertiberia and Foret, said the water that escaped when a waste reservoir burst during a storm on Friday did not represent a serious ecological hazard and would be diluted in the waters of the river Huelva.

But Ecologistas en Acción, an environmental group, said the water contained heavy metals such as arsenic and copper that could damage plants and animals in the river.

It compared the accident to a toxic spill at the Aznalcollar zinc mine last April that threatened Europe's largest nature reserve, Donãna national park, when millions of cubic metres of sludge containing heavy metals escaped from a burst reservoir.

The group also contested the companies' estimate of the amount of acidic water that escaped, saying it was far more than 50,000 cubic metres. Authorities in the Andalusia region have opened an investigation into the causes of the accident. **Reuters, Madrid**

ROMANIAN MINERS

Union ultimatum rejected

Romania's government yesterday rejected an ultimatum by thousands of miners who launched a strike in the country's biggest coalfield over the planned closure of uneconomic pits.

The chief union leader gave Radu Vasile, prime minister, until today to come to the area to discuss demands, including pay rises and the write-off of debts run by the local mining company. Miron Cozma, who earned a reputation for militancy for leading violent anti-reform protests in Bucharest in the early 1990s, said he would take his miners to the capital again if the government failed to meet their demands.

Some 2,500 miners marched through snow in Petrosani, 350km west of Bucharest, chanting Mr Cozma's name and shouting anti-government slogans. No incidents were reported.

"Faced with this ultimatum. . . the government will not conduct any dialogue," the administration said. "We regret the situation created by the Jiu Valley mining unions, whose policy of force can only scare off prospective investors." **Reuters, Bucharest**

Finnish minister quits after share scandal

By Tim Burt in Stockholm

The $1.4bn privatisation of Sonera, the Finnish state telecommunications operator, was thrown into controversy yesterday following the resignation of the country's communications minister and the dismissal of Sonera's chief executive over a share scandal.

Matti Aura, minister of communications, agreed to step down after admitting he had been misled by Pekka Vennamo, Sonera chief executive, about his investments and dealings in Sonera shares.

Mr Vennamo, meanwhile, was sacked by the Sonera board for failing to disclose an inter-family transaction in which he sold some 5,300 shares in the company. That breached an undertaking to Mr Aura that he would not dispose of any part of his stake in the company, privatised last November.

Mr Aura, a member of Finland's Conservative party, said yesterday: "I have made wrong judgments about chief executive Vennamo. Therefore, my view is that I can no longer have the prerequisite to continue as a minister." Mr Vennamo, himself a former minister of communications, was unavailable for comment.

The departure of both the minister and Sonera's chief executive follows a mounting public outcry in Finland over the handling of the initial public offering in Sonera, formerly Telecom Finland.

Under the global offering, which was more than 20 times subscribed, share allocations were scaled back dramatically – leaving most retail investors with just 10 per cent of what they had applied for. Mr Vennamo and other Sonera executives, however, received their allocations in full.

The company's chief executive acquired a further 25,000 shares on behalf of his private investment company. That took his total holding to about 51,000 shares, worth €795,600 ($677,510). Investors subscribing to the retail offer received an average of 820 shares each.

Sonera's share price has more than doubled since the government sold a 22 per cent stake in November. In Helsinki yesterday, the shares rose 5.3 per cent to close at €15.94.

Markku Talonen, Sonera chairman, said Mr Vennamo's conduct over his share dealings and disclosures led to "escalating mistrust" within the board and between the chief executive and communications minister. "A number of mistakes were made and promises surrounding share disposals by Mr Vennamo were not kept," he said.

Industry analysts played down the impact of the affair on Sonera's operating strategy, aimed at establishing a growing mobile telephone subscriber base in Finland and the Baltic states. It also has 55 per cent of the market for international calls from Finland and 40 per cent of long-distance calls.

Matti Aura: 'I have made wrong judgments' AP

The government did not name Mr Aura's successor yesterday. Sonera said Mr Vennamo would be replaced by Aulis Salin, previously managing director of Telecom Finland.

Cyprus ministers quit over cancelled missiles

By Andreas Hadjipapas in Nicosia

President Glafkos Clerides of Cyprus sought to patch up his government yesterday as two socialist ministers resigned in protest against his decision to cancel the deployment of long-range Russian missiles on the island.

Mr Clerides accepted the resignations but did not immediately propose new names for the vacated defence and education posts.

The president had scrapped delivery of the $500m, S-300 anti-aircraft system after reassurances from the international community that it would help promote a settlement to the dispute in the island between his government and the breakaway Turkish state in the north. Turkey had vowed to prevent the missiles arriving, militarily if necessary.

But the socialists called Mr Clerides' decision a "national humiliation".

Yannakis Omirou, the outgoing defence minister, said in his letter of resignation that the decision not to bring the S-300 missiles was a "serious blow to the sovereignty of the Cyprus Republic" and the right to defend itself.

Mr Clerides was re-elected to a five-year term in February last year and has no intention of resigning, despite calls for him to step down. But he has been politically weakened by the defections.

Observers believe the president would face problems if he tried to form a more broadly-based coalition to compensate for the loss of the socialists.

People close to the Nicosia government said Cyprus might now buy a shorter-range TOR missile system from Russia, as well as more Aspide missiles from Italy. Greece, a close ally of Cyprus, had been alarmed by the prospect that the arrival of the rockets could irreparably harm Cyprus' chances of joining the European Union.

The S-300 missiles are now due to go to the Greek island of Crete.

Rush to run for US presidency in 2000

Elizabeth Dole: stepping down prematurely as head of American Red Cross

By Gerard Baker in Washington

You could be forgiven for thinking the events of the last year might have put most people off the idea of running for president.

For anyone other than Trappist monks (and their order forbids them from running for office) the Monica Lewinsky affair must have been an unsavoury foretaste of the kind of scrutiny they could expect before and after election to the highest office in the US.

But in the first week of the year before the next big presidential contest, the list of candidates is growing faster than President Bill Clinton's legal bills. Yesterday, Elizabeth Dole, the wife of Bob, Mr Clinton's 1996 Republican challenger, announced she was prematurely stepping down as head of the American Red Cross in a move widely seen as a prelude to a presidential bid.

With no incumbent president running next year, the race seems genuinely open, and the tantalising prospect of actually having a shot at winning is now clearly outweighing any queasiness about the personal toll of running for high office.

If Mrs Dole does enter the Republican fray she will join proto-candidate John McCain, the maverick Arizona senator, who last week became the first of his party to establish the formal "presidential exploratory committee".

They look certain to be joined in the next few weeks by Steve Forbes, publisher of the eponymous magazine and self-styled "capitalist tool", and Lamar Alexander, the former governor of Tennessee, both veterans of the 1996 campaign. Dan Quayle, the former vice-president, and Pete Wilson, who stepped down as governor of California yesterday, are also considering a run.

The big question is whether, or perhaps when, George W. Bush, the popular, moderate governor of Texas, will declare. Current polls make him the easy favourite, not just for the Republican nomination, but for the presidency itself.

There are still other hopefuls: Gary Bauer, the head of a very conservative pressure group in Washington, is preparing a run based on Christian moral values in public life. Bob Smith, a senator from New Hampshire, whose ambition seems based on the happy fact that he is an incumbent senator in the state which holds the first primary, is also a contender.

On the Democrat side, two nearly confirmed candidates, Vice-President Al Gore and former senator Bill Bradley, have established exploratory committees. They could be joined by the Rev Jesse Jackson, who has run twice before, Paul Wellstone, the liberal senator from Minnesota, John Kerry of Massachusetts, and perhaps by Richard Gephardt, House Democrat leader.

Seasoned political observers warn, however, that all this presidential ambition will start to bump into hard political realities in the next few months. If the public scrutiny of their personal lives does not get most of them, the need to raise a ton of money surely will.

Nicaragua: a new spirit of political understanding after Mitch

The hurricane may have started to clear a path through the country's often dense political jungle. **James Wilson** reports

As Nicaragua struggles to recover from the devastation of Hurricane Mitch, the new year is bringing signs of one positive change: the storm may have started to clear a path through the country's often dense political jungle.

Nearly a decade after the end of its civil war, Nicaragua is still one of the region's most polarised societies. In the two years since President Arnoldo Alemán's Liberal government took office, there have been frequent street protests by the leftwing Sandinista Front for National Liberation (FSLN), now entrenched in opposition.

But with the country overwhelmed by the hurricane, and politicians heeding calls at home and abroad to forget differences and face the task of rebuilding the country, some observers believe the aftermath of Mitch can bring a sense of greater unity.

The government and the FSLN had already come closer through talks on electoral reform, and Mr Alemán's overtures to Daniel Ortega, former president and Sandinista leader, to help with reconstruction have received a positive response.

When Nicaragua met foreign donors in April last year, the FSLN refused to take part. But after Mitch Sandinista representatives went to last month's vital meeting in Washington to discuss international financial support. The government is also including Sandinistas on a commission of national reconstruction.

Despite remaining squabbles – Mr Ortega opposes the ongoing economic adjustment programme backed by the International Monetary Fund, and rails at the presence of 1,700 US troops helping in the recovery effort – foreign aid agencies are encouraged.

Kent Degerfelt, the head of the European Commission's delegation in Managua, says: "The disaster seems to be unifying the Sandinistas and the governing party. It is a sign of progress." He adds: "I think the most important thing is the Sandinistas did go to Washington. The squabbling does not take away from the paramount importance of having gone as part of the official delegation, and of taking part in planning the reconstruction of the country. Dialogue is always a positive thing."

One challenge for the rebuilding effort is to avoid the partisan bickering that characterised some of the early response to the disaster. When floods swept León, Nicaragua's second city and a proud cradle of poets and revolutionaries, arguments raged between officials from the FSLN-controlled city hall and local delegates appointed by the government.

"They were fighting to see who could help people the most and win the most votes," says an insider on the area's disaster committee. An aid worker says: "It was total disorder." Mr Alemán then angered city hall authorities by putting the city's bishop in charge of local relief operation in place of Rigoberto Sampson, León's FSLN mayor.

A young Nicaraguan carries panelling from his home after flooding caused by Hurricane Mitch AP

Mr Sampson says the tensions caused by such incidents risk prejudicing reconstruction. "There has to be a real unity between authorities, but now there is a resentment on the part of local authorities because they were overruled by central government. It makes our task of reconstruction more difficult, because our relations are not good with the local delegates," he says.

At the church offices across Leon's central square from the city hall, Father Donald García, the bishop's assistant, says the church received stories of aid going first to Sandinista supporters – accusations rejected by Mr Sampson.

Observers say disagreements were inevitable in the immediate aftermath of the storm. The north, which suffered most damage and where most of the 3,000 deaths occurred, is a Sandinista stronghold.

David Robleto, the secretary for international co-operation, says: "It is logical that reconstruction is going to be easier in any country where society is united. Multilateral and bilateral donors are going to be more satisfied."

Michel Camdessus, International Monetary Fund managing director, issued a warning in Managua after Mitch. "I talk as a friend who looks at this country from abroad," he said. "If a lot of time is spent in purely political quarrels it gives the impression that there are political forces using such difficult circumstances to put obstacles in the way of the government."

The head of another large aid agency says 1999 – a year free from political contests – will be a key test of the country's ability to work as one. "The pieces are there, it is just a case of putting them together," he says.

But in León, a European aid worker with wide experience of Nicaragua says: "It is political acrobatics trying to keep everyone happy." He is not convinced that the call to unity will be heeded. "Now there will be so much aid coming in, they can allow themselves the luxury of fighting. If there was not so much money, perhaps they would need to look for compromises," he says.

NEWS DIGEST

BRAZILIAN BUDGET

Cautious welcome for fiscal austerity package

The Brazilian government's new package of R$6.7bn (US$5.5bn) in budget savings won a cautious welcome from economists yesterday, although they warned that the success of the fiscal austerity plan still depended on the behaviour of Congress over the next three months.

Brazilian shares had risen 3.1 per cent by yesterday afternoon as markets digested the details of the new savings, which were published over the New Year holiday and which come mostly from new tax increases.

"The new package is a signal that the government at least is committed to achieving the terms of the fiscal plan," said Felipe Garcia at Idea, an economic consultancy in New York.

Brazil would probably meet the first set of budget targets agreed with the International Monetary Fund, which will be reviewed in February, he said.

The government announced its plan to cut R$28bn from this year's budget in October, in an attempt to reduce a fiscal deficit approaching 8 per cent of gross domestic product and to regain credibility lost after the Russian debt default. **Geoff Dyer, São Paulo**

US MANUFACTURING

Global turmoil hits trade

US manufacturing activity slowed last month as trade continued to feel the pinch of global economic turmoil, according to an influential survey of the nation's purchasing executives published yesterday.

The National Association of Purchasing Management said its main index of industrial activity fell to 45.1 per cent in December from 46.8 per cent in November. It was the seventh consecutive month in which the index has been below the 50 per cent mark, a level which indicates the manufacturing sector is contracting.

"The overall picture as we close[d] 1998 is one of faster decline in manufacturing activity," said Norbert Ore, the chair of NAPM's business survey committee. "New orders continue weak as we proceed into 1999 and prompt concerns about the manufacturing sector," he added.

NAPM said the steel industry suffered especially last month, as a flood of cheap imports swamped domestic manufacturers. **Gerard Baker, Washington**

ARGENTINE ECONOMY

Business upbeat on prospects

The directors of Argentina's biggest companies are relatively upbeat about prospects for the economy this year, despite the sharp slowdown in growth seen in the second half of 1998, according to a new survey.

A poll of 211 businesses by Price Waterhouse-Argentina, a member firm of PwC, found 77 per cent "moderately optimistic" about the economy, with 2 per cent "strongly optimistic" and 21 per cent "moderately pessimistic".

The companies polled, which notched up 1998 sales of over $95bn, believed the economy would continue to grow this year, but at a rate "below 4 per cent". The economy grew an estimated 4.8 per cent in 1998, and 8.6 per cent in 1997. Private sector analysts forecast growth could slow to 2 per cent or less this year. **Ken Warn, Buenos Aires**

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Iraq bans food imports from 'hostile countries'

By Roula Khalaf in Baghdad

Iraq is imposing trade sanctions on countries it considers "hostile" and is barring purchases of food and medicine from the US, Britain, Japan and Switzerland.

While the first two are obvious targets, having staged four days of air strikes against Iraq two weeks ago, Japan is accused by Baghdad of always siding with the US on Iraqi policy. Iraq's problem with Switzerland is more of a mystery, but diplomats in Baghdad say it may be linked to a row over frozen Iraqi assets.

The oil-for-food deal, under which Iraq can sell limited quantities of oil to buy humanitarian goods, is often used by Baghdad as political leverage. The Iraqi government issues a list of priority countries for every six-month phase of the deal. In the last six months of 1998, Iraq sold $3bn worth of oil, of which $2.1bn was used to buy food and medicine.

Economic considerations are taken into account when making purchase agreements, and they often prevail. But many companies are also given contracts as a reward for their government's stance on Iraq, or in the hope that they will affect policies towards the eight-year UN sanctions. At times, immediate political concerns coupled with attractive prices can allow companies from a country low on the priority ranking to win more contracts than another country topping the list.

Until recently, Iraq has attempted to maintain contact with American companies. It is believed, for example, still to be selling oil to US companies – often through brokers. Moreover, much of the oil sold to Russian companies ironically also ends up on the American market. In the first four phases of the oil-for-food deal, lasting until last month, Iraq also purchased $211m of goods from the US, according to United Nations figures.

Monthly rations being handed out in Baghdad last year. Iraq will refuse to buy food from the US, UK, Japan and Switzerland AP

US companies, however, have little influence on US policy towards Iraq. According to diplomatic sources, the government has moved to ban purchases of goods from US companies in the fifth phase of the oil-for-food programme which began this month. The priority list issued for the fifth phase shows that Russia, Iraq's strongest supporter on the UN Security Council, continues to dominate in first place, followed by China, then France. This has been the case since the beginning of the programme. In practice, however, France has been able to sell much more to Iraq than China, and French companies are said to be the most aggressive on the Iraqi market.

Vietnam, an old friend of Iraq, has now moved to fourth place. It is believed to be one of several countries which have been willing to sell to Iraq on credit, with promise of repayment after the sanctions are lifted.

Six Arab states are among the top 12 countries from which ministries are encouraged to buy goods, in a clear indication of Iraq's attempt to break its isolation in the Arab world. Iraq's closest Arab friend according to the list is Algeria. It is followed by Tunisia, Morocco and the United Arab Emirates. All four countries have spoken out against the effects of UN sanctions.

But even Arab countries where governments are unsympathetic to Iraq – and which do not usually feature prominently on the priority list – have in previous phases managed to gain a significant share of the market. In the last phase of the oil-for-food deal, for example, Egypt and Saudi Arabia were among the biggest winners of Iraqi contracts.

Promoting trade relations with Egypt and Saudi Arabia, however, does not appear to be paying off. Egyptian President Hosni Mubarak last week virulently attacked the Iraqi leadership, holding it responsible for the suffering of the Iraqi people. Baghdad has also accused Saudi Arabia of engineering the postponement of an Arab League foreign ministerial meeting to discuss Iraq.

W Indies backing EU on bananas

By Canute James in Kingston

Caribbean banana exporters have reiterated their dismay at a US decision to impose punitive duties on imports from the European Union in the dispute over the EU's banana import regime.

Exporters fear the EU could yield to US pressure and make changes that will deprive Caribbean producers of their preferential market. Some countries have even suggested that the Caribbean retaliate by not renewing pacts with the US to fight drug trafficking in the region.

The US is demanding more radical changes to the EU's banana import regime than those which came into effect on January 1. The US has complained that the EU arrangement, which favours former colonies, mainly those in the Caribbean, violates the rules of fair trade. Caribbean producers account for 3 per cent of world banana exports and 20 per cent of EU imports. But the fruit from the islands is more expensive to produce than that from Latin America, and cannot compete in an open market.

"The Windward Islands strongly support the view that the parties should conduct this debate over banana trade within the World Trade Organisation and in accordance with its rules and procedures," the Caribbean governments stated. "The EU has adopted a revised regime, to operate from January 1, 1999, in order to comply with the WTO ruling on the current regime. This amended regime will entail the loss to the Windward Islands of important benefits hitherto provided by the EU." However, the governments accepted the changes, they said, because they enabled the EU to meet its obligations to the WTO while still fulfilling its commitment to its traditional suppliers.

Demand for liner helipads dropped

By Charles Batchelor, Transport Correspondent

Plans to require all new cruise liners to be equipped with helicopter landing decks for use in emergencies have been dropped by the International Maritime Organisation, the United Nations' shipping agency.

The proposals were made after the sinking of the roll-on/roll-off (ro-ro) ferry Estonia in the Baltic in September 1994 in which more than 850 people were killed.

But now the IMO has found that its hastily rushed-out proposals, intended to cover ro-ro ferries as well as cruise liners cannot easily be applied to cruise ships.

"Normally we introduce safety measures in response to a disaster but we thought by including cruise ships in the regulations we were being pro-active," IMO said.

A helipad on board a ship would allow passengers to be rescued from the ship itself while also providing a landing point for helicopters involved in search and rescue operations for other nearby vessels. Together with refuelling facilities, it would mean helicopters could operate for longer periods.

However, the IMO's safety experts found that installing a helicopter deck on a cruise ship would require strengthening the superstructure. The average cost of installing a pad would have been $1.6m. This figure took no account of the revenue lost because the helipad took up space which might otherwise be used for cabins. The average cost of installing a helipad would have been $37m for each life saved, far more than the $3m figure typically applied in the transport industry.

The safety experts also took into account that unlike ro-ro ferries which cross short stretches of sea, cruise liners spend a lot of time in mid-ocean out of range of helicopters.

Australia in search of new export markets

By Gwen Robinson in Sydney

Australia will shortly open trade offices in South America and Eastern Europe as part of a campaign to develop new export markets and reduce Australia's reliance on Asia.

Small exporters would also be encouraged to apply for export development grants to enter new markets. The move reflects Canberra's concern about Asia's economic prospects and growing doubts about earlier official forecasts for regional recovery within two years.

Australian exports held up remarkably well in the face of Asian economic turmoil, according to figures published last week, which showed an 8 per cent increase in total export value to A$114bn (US$71bn) in the year to June. Their resilience, however, was mainly due to the speed and success of Australian exporters in diverting exports away from Asian markets to regions including the US, Middle East and Europe. Since 1996, Australian exporters have reduced their dependence on Asian markets to account for about half of total exports, down from nearly two-thirds.

But growing official pessimism about short-term recovery in Asian markets and the outlook for commodities prices has lent a sense of urgency to the government's push to help diversify Australian export markets.

In commodities, which make up nearly two-thirds of Australia's exports, many large exporters maintained high export levels to Asia in 1998 on forward contracts, commodities analysts said. However, annual contracts for the country's largest commodities exports, coal and iron ore, to key markets including Japan have now been sharply reduced for 1999.

Tim Fischer, Australian deputy prime minister and trade minister, said this week five Asian countries which in 1996 were among Australia's fastest growing – South Korea, Thailand, Malaysia, the Philippines and Indonesia – remained in a slump. "They are softening and so is Japan, and that is causing us headaches."

Under the campaign, to be launched this month, new offices will be opened in countries including Peru and Romania, while staff at existing offices in target markets will be increased. In Buenos Aires, a commercial hub for South America, staff would double, Mr Fischer said.

On multilateral trade negotiations, Mr Fischer said the government would place new emphasis on bilateral negotiating channels. "We have been burned too often and exposed too often by the outcomes of the Uruguay (trade) round, including the rice tariffs imposed by Japan," he said.

Australia's push into South America was reinforced yesterday by Brazil's decision to allow Australian wheat imports, previously barred on concerns about grain pests and other diseases.

The Australian agriculture minister, Mark Vaile, said the move was a breakthrough as Brazil was one of the world's largest wheat importers, averaging about 5.5m tonnes annually in the past five years. The announcement on market access for Australian wheat followed extensive negotiations by Australian quarantine and foreign affairs officials with Brazilian counterparts.

FOOTBALL FIFA CHIEF'S PLAN FOR BIENNIAL TOURNAMENT TO COUNTER THREAT OF EUROPEAN SUPERLEAGUE FINDS BOTH SUPPORTERS AND OPPONENTS

World Cup proposal receives mixed reviews

By Patrick Harverson in London

A proposal from Sepp Blatter, the president of football's world governing body, to hold the World Cup every two years instead of every four was greeted with astonishment yesterday.

The idea of the chief of the International Association Football Federation (Fifa) generated outright opposition and tentative interest in almost equal measure. If adopted, it would lead to one of the biggest changes in the history of world football.

Uefa, which is responsible for the sport in Europe, denounced the proposal as "unacceptable", primarily because the plan would seriously disrupt the European Championships, currently held every four years.

A spokesman for the Dutch football association said he feared holding the World Cup every two years would place an excessive physical demand on top players, while Sir Bobby Charlton, England's former international star and leader of the campaign to the bring the 2006 tournament to England, also came out strongly against the idea.

However, his great German opponent from the 1966 World Cup, Franz Beckenbauer, welcomed the proposal. "I think it's a good idea. Now we have to see if it can be done and how," said the former captain and coach of Germany.

His support was echoed by Dino Zoff, coach of the Italian national team, who said space could be found in the crowded football calendar.

Under Mr Blatter's proposal, which will be considered by Fifa's all-powerful executive committee at its next meeting in March, the continental championships in Europe, South America and elsewhere would be played in every "off" year and would act as qualifying competitions for the following year's World Cup.

Mr Blatter, who was elected president last summer, sees the new format as a way to counterbalance the growing power of Europe's top clubs. He is worried they will try to establish a European super league that would challenge the authority of the national teams by refusing to release their top players for international tournaments.

The motives behind the Mr Blatter's plan are steeped in the high politics of world football. For example, turning every continental championship into a qualifying competition for the World Cup would emphasise the authority of Uefa over the continental confederations and national associations.

Commercial factors are also likely to have played a part in convincing [illegible] of the need for change. The next two World Cups, in 2002 and 2006, are each expected to generate about [illegible] in gross television revenues. Holding the [illegible] every two years would [illegible] Fifa to generate more money from the most popular sporting event in the world.

However, experts in television rights yesterday said playing the World Cup every two years would not necessarily double the value of the event's TV rights. "It's about the share of the [TV revenue] pie, rather than increasing the size of it," said Mark Oliver of Oliver & Ohlbaum, the London-based media rights consultancy.

A former senior executive at ISL, the Swiss marketing firm which has sold the rights to recent World Cups, said: "I don't see the TV rights doubling, but I can see it adding another 50 per cent to the pot."

Soccer chief in cash row quits, Page 8

Israel gears up for May elections

By Avi Machlis in Jerusalem

Israel's Knesset (parliament) last night completed its dissolution and approved the final readings of a bill to set elections for May 17, more than a year ahead of schedule, by a vote of 85 to 27.

The Knesset recently voted overwhelmingly to hold early elections after Benjamin Netanyahu, the prime minister, failed to secure support for freezing implementation of the Wye River accords signed with the Palestinians in Washington in October.

According to the elections bill, a run-off vote will be held on June 1 if no candidate secures more than 50 per cent of the vote.

Since the move towards elections, Israel's political map has been rapidly changing. Amnon Lipkin-Shahak, former army chief of staff, is expected formally to launch his campaign for the premiership as head of a new centrist party this week. Mr Shahak has yet to present his views, but recent polls show he could get 20 per cent of the vote in the first round and would beat Mr Netanyahu by 54 per cent to 35 per cent in a run-off.

Several senior members of Mr Netanyahu's Likud party have already defected, while others are still undecided.

Meanwhile, the Knesset was also preparing to vote on the first of three readings of a bill that could complicate any attempt to restart peace negotiations with Syria, which have been frozen for 20 months.

According to the law, any transfer of land from the Israeli-occupied Golan Heights back to Syria would require a majority of 61 in the 120-seat Knesset, as well as a referendum.

Hafez al-Assad, Syrian president, wants negotiations to begin where the previous Labour-led government left off, with a conditional proposal for full withdrawal from the Golan.

Fading banner of Afrikaner nationalism looks for new colours

Rebranding the party that invented apartheid is no mean task.
Victor Mallet reports on the attempt to save South Africa's Nats from oblivion

For those with long memories, there is something bizarre about the leader of South Africa's National party calling for "inclusive" government, democracy and multiracialism. This was, after all, the party of Hendrik Verwoerd and white supremacy: it was the NP that reinforced and codified racial separation under the banner of apartheid during its 46-year rule before yielding to the black majority in 1994.

Marthinus van Schalkwyk, the young Afrikaner who took over from former President F.W. de Klerk as party leader a year ago, is grappling with the nearly impossible task of saving the NP from extinction and giving it a role to play in the new South Africa. "When I took over from FW," he admits, "I knew this was not going to be easy."

The NP's problem is that it is despised by two important groups of voters. Many right-wing whites feel that the NP betrayed them by handing over power to the African National Congress.

And millions of black South Africans identify the party with the sufferings they endured under apartheid, from police brutality and poor education to forced relocations from their homes into remote rural areas. As one contributor to an internet forum put it, the NP in today's South Africa is about as credible as a "Gestapo party in Israel".

This exaggeration seemed less extreme with every revelation of the activities of the apartheid state – including assassinations, torture and a chemical weapons programme – that emerged from the hearings of the Truth and Reconciliation Commission.

The NP won 20 per cent of the vote in the country's first all-race election in 1994, which gave them 82 of the 400 seats in parliament, and it is still the official opposition to the ruling ANC. But that presence is out of all proportion to its political weight today.

In the latest opinion poll, support for the NP dropped to 9 per cent. With a mere seven parliamentary seats, the liberal Democratic party (DP) has proved more effective at articulating white resentment of crime, corruption and incompetence under the ANC-led government.

Recent local election results have mostly been catastrophic for the NP – in the conservative white town of Rosettenville south of Johannesburg the DP won nearly 90 per cent of the vote in what was regarded by the NP as one of its safest strongholds – and party officials have defected to rival organisations such as the DP, the ANC and the year-old United Democratic Movement (UDM).

Not all the news is bad for the NP, which has itself gained a few defectors from other parties as politicians manoeuvre themselves into position ahead of this year's general election. But Mr van Schalkwyk is struggling to hold the NP together and brand it as a centre-right party with multiracial support. In September he relaunched it as the "New National Party", complete with a new logo of a rising sun, and went on the offensive over the three issues likely to appeal to voters: crime, unemployment and education.

Tapping into the widespread disenchantment with the ANC's performance, the NP accused it of "creeping dictatorship" and of being "authoritarian, corrupt and inept". Mr van Schalkwyk says he can now comfortably address meetings in black communities where Mr de Klerk was driven out by angry demonstrators in 1994. The NP, he says, can attract

The message is: 'If you want a party which knows how to govern, vote for the National party'

the support of teachers and nurses, "the kind of middle class black voter who wants delivery, order, discipline". The message is: "If you want a party which knows how to govern, vote for the National party."

The NP's fate depends largely on whether the "coloureds" of the Cape – the mainly Afrikaans-speaking racial group with a mixture of Malay, white and indigenous origin – will be convinced by the NP's new-found multiracialism and vote for it out of fear of black domination as they did in 1994. It was their support which installed the NP as the provincial government in the Western Cape. But opinion polls show the ANC and the NP are neck and neck in the province.

Rival parties are already waiting to feast on the party's corpse. When Sam de Beer, NP leader in Gauteng province, defected to the UDM in August, the ANC said his departure merely confirmed the NP's "reserved place on the rubbish dump of history". More recently, Ryan Coetzee of the DP mocked the NP's relaunch. "The NP is in terminal decline," he said. "No lacklustre effort to reinvigorate the party with a new logo and policy package is going to change that fact."

Mr van Schalkwyk himself, a chubby, bespectacled 38-year-old who appears decent but lacking in charisma, has been blamed for failing to halt the NP's decline. The most telling jibe came from Willie Breytenbach, a professor at Stellenbosch University, who said he came across as a *kortbroek* – a boy in short trousers.

But a bigger problem is that the NP – founded in 1914, two years after the ANC – has lost its *raison d'être* as the ruthless promoter of Afrikaner nationalism. The new South Africa has its faults, but their origins often lie in the era of NP rule: few South Africans believe that the party of apartheid has the answers.

NP
NEW NATIONAL PARTY
Let's get South Africa working

Left: logo of the relaunched 'new' National party
Above: Marthinus van Schalkwyk, its leader, who says he can attract support from 'the kind of middle class black voter who wants delivery, order, discipline'

Financial Times (enkiai)

هكذا من الأصل

Pakistan newspaper group delays wages

By Farhan Bokhari in Islamabad

Payment of salaries to the 3,000 employees of the Jang newspaper group, Pakistan's largest, has been delayed, in a sign of the group's growing financial problems.

The group, which says its newspapers have a combined circulation of about 1.7m a day, or half of Pakistan's total newspaper sales, has faced months of official investigations into alleged tax evasion.

Tax authorities have frozen seven of its bank accounts in Pakistan used for operational expenditures. The group's newsprint stores have also been raided by officials probing its records. The pressure has forced the group to cut the number of pages in its newspapers.

The group says it has been served with a Rs2bn (US$41m) tax bill because of alleged evasion of taxes and overstatement of circulation figures.

Journalists and human rights activists say the official investigation is an attempt to force the group to sack some of the journalists who write for the Jang, the largest circulation Urdu newspaper, and The News, its sister English language publication.

The government says, however, that the case is purely a tax issue, and denies its action is an attack on the free press or independent journalists.

A senior executive of the group said yesterday: "Our problem is that our accounts are frozen, and for the first time we are not in a position to pay our salaries".

Businessmen in the advertising industry said the group had quietly approached businesses and banks to seek short-term loans to pay its salaries, though there has been no confirmation of this from Jang. They also said the group had received more than 100 tax notices in the past few months.

Maleeha Lodhi, editor of The News, said: "The official objective is to muzzle the press. The law has been applied selectively to us."

Independent analysts said the case was a selective application of Pakistan's tax laws, notoriously weak.

For years, newspapers have been suspected of understating circulation figures to evade taxes, although there have been few cases of one newspaper being singled out in an official probe.

Human rights activists say the outcome of the case could have long-term repercussions for Pakistan's free press, which has thrived in the past 10 years of democratic rule.

An escalation of the row, possibly leading to a temporary suspension of publication, would be seen as a setback for the independence of the press.

Reprisal fears as attack leaves 16 worshippers dead

At least 16 Shia Moslem worshippers were killed and 25 wounded yesterday in Pakistan's Punjab province, in one of the country's worst incidents of sectarian violence, writes Farhan Bokhari.

Worshippers were sprayed with bullets in a predawn attack at Shah Jamal, about 350 miles south-west of Islamabad.

The killings triggered fears of reprisals from militants in the Shia community. Although no one claimed responsibility, police were last night investigating links to the "sipah-i-sahaba", a militant Sunni Moslem group opposed to Shias.

The attack came just a day after four people died in a bomb blast near Lahore, apparently aimed at Nawaz Sharif, the prime minister.

Groups such as the sipah-i-sahaba flourished during western-backed opposition to the Soviet occupation of neighbouring Afghanistan in 1979. At one time they were armed and funded by western intelligence agencies. But after Moscow's withdrawal from Afghanistan in 1989 foreign funding dried up, leaving many groups to seek help at home and in the Middle East.

The sipah-i-sahaba's activities have led to tensions in Pakistan's relations with neighbouring Iran, which has a Shia majority.

Two men search the debris of a government-run office near Lhokseumawe in the rebellious Aceh province Reuters

Habibie plea for end to violence

Indonesia's President B.J. Habibie yesterday urged Indonesians to end the violence sweeping the country as thousands of troops fanned out in the rebellious province of Aceh after a weekend of bloodshed, Reuters reports from Jakarta.

Troops on Sunday opened fire on a mob of thousands attacking government buildings in an area near the industrial town of Lhokseumawe in Aceh, 1,000 miles north-west of the capital Jakarta on the northern tip of Sumatra.

"Nine civilians were shot [dead], 23 suffered heavy injuries and we have detained 123 people," a police chief said. "We fired warning shots and then shot at the separatists." He said local separatist groups had tried to incite the crowds.

Mr Habibie said in a televised speech: "Nowadays, we witness the signs of a lack of patience among some people in society. People are easily moved to violations and unrest. All that only harms our own interests."

The official news agency Antara reported yesterday that security forces had restored control in the troubled province, especially on the northern tip. It quoted an armed forces spokesman as saying that rebels had used crowds as human shields during the unrest.

Locals said Lhokseumawe was quiet and businesses and shops were open as usual.

Separatist movements have been simmering for years in the resource-rich, staunchly Moslem province. Locals and human rights groups say a nine-year army crackdown against the rebels resulted in widespread torture, rape and executions. In August, the military apologised for its past abuses in Aceh and withdrew all combat troops. But violence has persisted.

Witnesses said that in the weekend's violence rebel snipers had opened fire on troops from rooftops, with the protesting crowds of thousands stuck in the middle.

Separatist protests in Indonesia have gained momentum since the downfall of former president Suharto in May after 32 years of iron rule.

Seoul upbeat over foreign investment

South Korea said yesterday it expected a 70 per cent rise in foreign direct investment this year, Reuters reports from Seoul. However, analysts said labour and currency trends could pose problems for foreign investors.

The finance ministry said it expected foreign direct investment to top $15bn this year, up sharply from a provisional $8.85bn for 1998.

The 1998 figures, based on investment plans filed with the government, represented 27 per cent growth from $6.97bn a year earlier, the ministry added.

The projection was backed up by analysts. "Foreign investment will continue to grow as many equity or asset sale talks will produce fruit," said Lee Hahn-koo, president of the Daewoo Economic Research Institute.

The rise in investment, if it materialises, will greatly boost the nation's efforts to build up its foreign currency reserves and stave off a new financial crisis.

Kang Myung-hoon, an economist at the Hanwha Economic Research Institute, said: "Active foreign investment will be especially important as it could make up for the expected drop in the current account surplus."

South Korea's current account surplus has been forecast to dip to $20bn-$25bn this year from a projected $40bn last year, compared with an $8.17bn deficit in 1997.

The ministry said foreign investors would look in particular towards the nation's financial, tourism and petrochemical industries.

Government data showed 53.1 per cent, or $3.46bn, of the total investment plans received in 1998 were to take over existing business operations from Koreans.

Big investors last year included Amkor Technology and Fairchild Semiconductor of the US, which agreed to invest $600m and $455m respectively to acquire semiconductor manufacturing operations in Korea.

The ministry said such trends would accelerate as the restructuring efforts of the nation's big business conglomerates, or chaebol, gained steam.

But analysts said the progress in chaebol restructuring would at the same time mean a massive wave of job losses, which could trigger resistance from the trade unions.

The nation's unemployment rate soared to 7.3 per cent in November from 2.6 per cent a year ago and analysts have said the rate could swell to around 8.5 per cent.

The strengthening currency could also hinder foreign investment, as the rising value of the won, unsupported by any tangible improvement in economic fundamentals, would make local assets look comparatively expensive.

The won closed the year's first trading session yesterday at 1,186 per dollar, near last year's highest level of 1,185 and sharply stronger than over 1,990 won in December 1997.

Death of the salesman spells boost for Japan

By Alexandra Harney in Tokyo

These days, by merely sitting at home in Japan and awaiting the inevitable knock at the door from the travelling salesman, it is possible to make a fairly accurate assessment of the economic revolution gripping the country.

Elsewhere, the most bewildering and unnecessary bargains arrive as "junk mail", but in Japan, commercialism has a human face. I found this out recently when a pair of smiling post office employees, clad in identical red satin anoraks, arrived on my doorstep brandishing a chequebook from the country's troubled postal savings system.

Could I be tempted to leave some of my savings with the post office, which has branches across the country, eager to process my monthly bills free of charge? I didn't think I could, but would take their offer into consideration. Surely, they insisted, with a confrontational style uncharacteristic of most Japanese, I had money to save.

I shook my head, no. I was a journalist, with little yen left after living expenses. The two promised to call again after I had time to think the matter through, leaving me with ample literature on the subject.

Their visit, at a time when the postal savings system is facing the prospect of returning 45 per cent of its funds when its 10-year accounts come due next year, was more informative than many press conferences called by Japanese corporations and banks.

Bold representatives from newspaper companies, apartment builders and local restaurants have also paid visits to my home. These are not the only industries that rely on personal visits and direct mail to win my attention. My mailbox is usually stuffed with mail advertising 24-hour adult video delivery services. However, these are not the companies that really worry me.

Door-to-door sales have traditionally been the primary sales technique of several Japanese industries, car manufacturers especially. Analysts estimate that personal sales, including flyer distribution and direct mail, account for 75 per cent of all car sales in Japan.

Until now, this method seems to have satisfied consumers and car companies for several reasons: customers enjoy the individual attention from their personal salesmen, while carmakers have been able to employ large sales staffs to canvass the neighbourhood.

Salesmen at Toyota dealerships in Japan sell three or four cars a month, against 15-20 sold by Toyota salesmen in the US, according to Koji Endo, industry analyst at Schroders in Tokyo. These sales and employment policies, which have traditionally been geared more towards social welfare than shareholder value, are at the core of postwar Japanese corporate theory.

The fundamental logic has been that as demand grew in line with the country's economy, companies could continue hiring new workers and investing in projects almost regardless of concepts such as the cost of capital, return on investments, or shareholder equity.

The trouble is that the recent recession has laid bare the high cost of such inefficient management techniques. Earlier this month, Nissan and Isuzu, the car and truck groups, announced they would cut marketing subsidiaries significantly as part of a company-wide rationalisation, which is likely to mean a number of Japanese car salesmen will be out of a job.

The visit of the two salesmen proved more informative than many press conferences

Analysts contend that the writing is on the wall. "In Japan, car salesmen have always had to go out [door-to-door], but nowadays, mothers as well as fathers are working during the day, so even if the salesmen do go out, they can't catch customers. So efficiency has been falling," Mr Endo adds.

Given that Japan's top carmakers together employ nearly 350,000 salesmen, could these staff cuts trigger another increase in the unemployment rate, already at an historic high of 4.4 per cent? Or could the end of door-to-door sales signal that the Japanese economy is gradually pulling itself out of recession through a careful reform of its management practices?

Of these, the latter seems more likely. While this means post office salesmen will have to find other outlets for their charm, it is probably a good thing for the Japanese economy.

Malaysia's grievances push their way out of the shadows and into the open

Anwar's eclipse has become a symbol for unprecedented resentment, reports **Ted Bardacke** in Arau, North Malaysia

Hajim Ahmed has never demonstrated on the streets of Kuala Lumpur. But the frustration in the soft voice of this middle-aged paddy farmer, standing in the lush fields of his community nestling against the limestone cliffs marking the Thai border, resonates as loudly as the shouts for political reform from angry youngsters in the Malaysian capital that dominated the end of last year.

"We want things to be fair. We want people, ordinary people, to be heard," Mr Hajim says. He complains that in Umno, the country's ruling party, "you can't speak, only listen".

A lifelong Umno voter whose computer engineering son is a beneficiary of Prime Minister Mahathir Mohamad's New Economic Policy, Mr Hajim broke ranks with the party last year and voted for the Islamic opposition Pas party in a parliamentary by-election.

Many of his neighbours did so too, sending Umno to its first defeat ever for national office in the state of Perlis, months before the sacking of ex-deputy prime minister Anwar Ibrahim sent shock-waves through Umno.

Yet Mr Anwar's eclipse has become a symbol for every Malay with a grievance against the government – ranging from perceived abuse of power to too much tolerance for anti-Islamic behaviour – to identify with. For a decade those grievances lurked in the shadows of spectacular economic gains; now they are out in the open, at times violently.

"The events of the past few months have opened up room for discussion not previously available. There is an unprecedented amount of dissent within the Malay community," says K.S. Jomo, a prominent political economist. "This offers the potential for a sea change in Malaysian society."

Few analysts are rushing to declare the demise of Umno. For many it is the embodiment of Malay politics, and many Malays fear a rupture of Umno would jeopardise the material gains reaped from the party's avowedly racialist economic policies.

For the moment, the top leadership is bound together by a struggle to replace Mr Anwar as the party's number two; no cadre wants to miss out on the spoils if their preferred candidate gets the job at the party's general assembly next June.

In addition, Pas is at present a poor alternative. Never having confronted the prospect of governing more than its northern stronghold of Kelantan, it has yet to develop an agenda beyond enforcing Islamic social mores. But Umno strategists worry about a Pas forced by the present political upheaval to broaden its appeal.

"If Pas were able to talk about current issues like the economy, then Umno would be in trouble," says one senior party ideologue. So, like the recently imposed currency controls which give the Malaysian economy some time to reform, Umno too has some time to put its house in order.

"We can't ignore the voices of concern. We have to overcome the perceptions about our lacking credibility, that we are no longer relevant, and the belief that politics only benefits a small group of people." Hishamuddin Tun Hussein, Umno's acting youth chief, whose predecessor was arrested along with Mr Anwar, told The Star newspaper.

'We want things to be fair. And we want people to be heard. In Umno, you don't speak - you only listen'

Mr Hishamuddin and other Umno leaders talk about how Malaysia and Umno have benefited from well thought out plans and a continual process of reform. A nationwide campaign has been launched to inform people of the party's decisions and intentions, yet it is precisely this reliance on *diktat* that is the subject of complaints.

Some district leaders chairing the information meetings are said to have been shouted down while others admit to having been confronted with silence.

"Pas people always worry about the village," Mr Hajim explains. "Umno people do, too, but it's different. Pas comes and works with us. Umno comes and looks around and promises to fix things. Sometimes they fix them; sometimes not. But that's not the point. They never ask us what our problems are, never ask us the best way to fix them, never ask us what we want."

This perceived inability to listen, and consult with ordinary people – a pattern Umno members say emanates from Dr Mahathir himself – contributed to Umno's loss in Arau. When the country was in the midst of a debate about nepotism, the younger brother of the Perlis Chief Minister was chosen to be Umno's candidate.

A local dispute about land compensation for a highway project fanned resentment about the government's perceived abuse of power. When prominent local leaders spoke out against the decisions, they became the victims of an internal party witchhunt after the election.

Yet in their thirst to regain political stability, Umno leaders seemingly wait to be quenched from above rather than energised by dissent from below.

"We've got to let people know what we are doing. If the villagers want to know, we explain," says Bahari H.J. Taib, speaker of the Perlis state assembly and Umno secretary in the state.

"We need some time to resolve this. Then the people will see that every angle is under control. The end result is, they will get some advice from our Prime Minister."

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1990=100.

UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exch. rate	Effective exch. rate
1987	220.2	−131.8	−145.8	1.1541	107.8
1988	272.5	−100.2	−108.4	1.1833	100.5
1989	330.2	−89.3	−94.8	1.1017	104.9
1990	308.0	−79.3	−72.1	1.2745	100.0
1991	340.5	−53.5	−4.8	1.2391	98.5
1992	345.8	−65.2	−43.5	1.2957	96.5
1993	397.3	−98.7	−73.6	1.1705	99.5
1994	432.3	−127.0	−104.4	1.1857	97.6
1995	452.3	−122.8	−89.2	1.2928	91.8
1996	499.0	−135.9	−107.7	1.2526	96.6
1997	609.4	−160.5	−137.2	1.1309	104.4
4th qtr.1997	157.0	−41.5	−40.0	1.1245	106.4
1st qtr.1998	159.8	−47.9	−43.0	1.0874	109.1
2nd qtr.1998	151.6	−55.5	−51.4	1.1020	110.8
3rd qtr.1998	149.0	−53.3	−54.7	1.1196	112.6
January 1998	53.8	−14.6	n.a.	1.0673	109.6
February	52.5	−15.7	n.a.	1.0892	108.4
March	53.5	−17.6	n.a.	1.0857	109.1
April	51.2	−18.6	n.a.	1.0937	109.7
May	50.0	−19.4	n.a.	1.1102	110.2
June	50.5	−17.5	n.a.	1.1022	112.3
July	49.8	−17.8	n.a.	1.0992	113.0
August	50.0	−18.6	n.a.	1.1028	114.8
September	49.2	−16.7	n.a.	1.1569	109.8
October	49.2	−15.7	n.a.	1.2021	105.4
November				1.1690	106.3
December					105.2

JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1987	194.7	83.7	72.8	166.58	104.7
1988	218.7	79.8	67.8	151.51	115.9
1989	245.5	70.6	60.1	151.87	110.8
1990	220.0	50.0	36.2	183.94	99.9
1991	249.4	77.7	59.2	166.44	108.4
1992	256.6	96.2	83.5	164.05	113.6
1993	300.3	118.6	110.8	130.31	136.5
1994	325.0	121.3	110.0	120.99	147.0
1995	331.1	102.8	87.7	121.43	154.4
1996	320.1	67.4	53.9	136.24	134.0
1997	361.8	89.2	83.3	136.84	126.1
4th qtr.1997	89.8	25.1	25.1	140.91	122.2
1st qtr.1998	89.0	27.4	26.6	139.32	121.2
2nd qtr.1998	83.2	28.2	24.2	149.56	114.3
3rd qtr.1998	81.5	26.8	29.1	156.64	110.5
January 1998	30.4	8.2	7.8	140.80	120.0
February	29.8	10.5	11.2	137.00	123.4
March	28.8	8.7	7.6	140.17	120.5
April	27.8	9.0	5.1	144.28	117.8
May	27.9	10.5	9.8	149.80	114.6
June	27.5	8.7	9.3	154.60	110.6
July	27.8	8.9	8.5	154.86	110.5
August	26.8	8.9	9.8	159.70	107.5
September	27.0	9.1	10.8	155.56	113.4
October	27.4	10.0	10.1	145.38	124.7
November				140.66	126.3
December					129.7

GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1987	*254.4*	*56.8*	*40.6*	*2.0710*	*97.3*
1988	*272.6*	*61.4*	*42.4*	*2.0739*	*96.6*
1989	*310.7*	*65.1*	*57.5*	*2.0681*	*95.9*
1990	324.6	51.5	38.4	2.0537	100.0
1991	327.6	11.1	−14.4	2.0480	99.2
1992	330.9	16.6	−14.8	2.0187	102.1
1993	325.2	30.4	−12.0	1.9337	106.1
1994	360.2	37.2	−17.1	1.9198	106.4
1995	405.0	46.0	−17.5	1.8509	111.9
1996	418.6	52.1	−11.0	1.8844	108.9
1997	454.3	59.4	−3.5	1.9584	103.9
4th qtr.1997	116.9	15.6	2.9	1.9740	103.3
1st qtr.1998	119.4	16.6	−3.7	1.9777	102.7
2nd qtr.1998	121.9	18.3	3.5	1.9756	103.7
3rd qtr.1998	120.3	17.8	−3.4	1.9716	104.7
January 1998	40.2	4.2	−7.0	1.9749	102.9
February	39.9	5.9	−0.4	1.9748	102.7
March	39.4	6.4	3.7	1.9835	102.5
April	41.7	6.3	1.1	1.9816	103.0
May	39.8	7.1	0.6	1.9697	104.1
June	40.3	5.0	1.8	1.9754	104.1
July	40.9	6.1	−0.3	1.9758	104.2
August	39.8	5.2	−2.2	1.9724	104.7
September	39.6	6.2	−1.0	1.9668	105.4
October				1.9699	105.8
November				1.9660	105.2
December					105.1

FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exch. rate
1987	128.3	−4.6	−3.7	6.9265	98.9
1988	141.9	−4.7	−3.4	7.0354	96.9
1989	162.9	−6.3	−3.6	7.0169	96.0
1990	170.1	−7.2	−7.2	6.9202	100.0
1991	175.4	−4.2	−4.8	6.9643	98.3
1992	182.5	4.5	2.9	6.8420	101.5
1993	179.6	13.3	8.0	6.6281	105.0
1994	198.9	12.6	5.4	6.5659	106.1
1995	219.7	10.4	8.4	6.4460	109.2
1996	230.2	13.8	16.4	6.4068	109.1
1997	255.6	27.1	35.1	6.5925	105.6
4th qtr.1997	67.3	7.0	10.2	6.6134	105.6
1st qtr.1998	67.5	6.2	7.8	6.6273	105.0
2nd qtr.1998	68.0	6.0	8.3	6.6238	105.7
3rd qtr.1998	68.2	7.0		6.6105	106.5
January 1998	22.5	2.3	2.8	6.6137	105.2
February	22.6	2.0	3.6	6.6189	105.0
March	22.4	1.8	1.6	6.6493	104.8
April	22.6	2.1	3.4	6.6426	105.1
May	22.8	1.9	3.4	6.6051	106.1
June	22.8	2.1	1.7	6.6235	105.9
July	22.3	1.9	4.2	6.6243	106.0
August	22.4	2.0	2.0	6.6123	106.4
September		3.2		6.5949	107.1
October				6.5949	107.6
November				6.5823	107.1
December					107.1

ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1987	101.0	−7.7	−1.9	1494.3	100.9
1988	108.3	−8.9	−5.4	1536.8	97.6
1989	127.8	−11.3	−10.7	1509.2	98.5
1990	133.6	−9.3	−12.9	1523.2	100.0
1991	137.0	−10.5	−19.2	1531.3	98.6
1992	137.9	−8.0	−22.6	1591.5	95.5
1993	144.9	18.1	8.7	1836.7	80.4
1994	161.4	18.8	12.0	1908.6	76.9
1995	181.0	21.6	20.7	2106.4	69.3
1996	201.3	35.0	32.8	1932.1	75.7
1997	209.2	27.2	32.5	1924.0	76.3
4th qtr.1997	55.6	6.6	8.4	1934.6	76.1
1st qtr.1998	52.4	3.2	2.4	1948.6	75.3
2nd qtr.1998	56.9	6.8	6.9	1948.7	75.7
3rd qtr.1998	52.2	8.8		1945.8	76.3
January 1998	14.4	0.0	−2.1	1943.7	75.4
February	17.6	0.9	1.4	1949.7	75.2
March	20.4	2.2	3.0	1953.3	75.2
April	18.6	1.5	0.6	1957.6	75.2
May	18.7	2.8	2.7	1942.5	76.0
June	19.6	2.6	3.8	1946.2	76.0
July	21.6	5.4	−1.4	1948.1	76.0
August	12.8	2.7		1946.0	76.2
September	17.8	0.7		1943.2	76.6
October				1948.8	76.8
November				1946.6	76.4
December					76.4

UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1987	112.3	−16.4	−6.8	0.7047	99.4
1988	120.9	−32.3	−24.8	0.6643	105.4
1989	137.0	−36.7	−33.3	0.6728	102.3
1990	142.3	−26.3	−26.2	0.7150	100.0
1991	147.7	−14.7	−11.4	0.7002	100.7
1992	145.9	−17.8	−13.8	0.7359	96.9
1993	156.0	−17.3	−13.2	0.7780	89.0
1994	174.1	−14.4	−2.1	0.7736	89.2
1995	186.9	−14.1	−4.5	0.8190	84.8
1996	208.0	−15.8	−2.3	0.8026	86.3
1997	246.4	−18.8	6.5	0.6906	100.5
4th qtr.1997	63.5	−5.9	0.8	0.6772	103.0
1st qtr.1998	61.9	−6.8	−2.1	0.6606	105.4
2nd qtr.1998	61.7	−6.4	−2.0	0.6665	105.4
3rd qtr.1998	60.1	−7.7	3.4	0.6774	104.4
January 1998	20.5	−1.4	n.a.	0.6648	104.6
February	20.5	−3.0	n.a.	0.6638	104.7
March	21.1	−2.4	n.a.	0.6532	106.8
April	20.9	−2.0	n.a.	0.6536	107.1
May	20.0	−2.8	n.a.	0.6783	103.4
June	20.8	−2.3	n.a.	0.6783	105.4
July	20.5	−2.2	n.a.	0.6688	105.3
August	20.3	−1.9	n.a.	0.6757	104.6
September	19.3	−3.6	n.a.	0.6877	103.3
October	18.8	−2.3	n.a.	0.7091	100.7
November				0.7034	100.6
December					100.4

Due to the introduction of the Single Market, EC countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

EUROPEAN UNION DEFENCE PROGRAMME GOVERNMENT INCREASES PRESSURE ON FRANCE AND ITALY IN FRIGATE DISPUTE

Minister refuses to sign missile contract

By Alexander Nicoll, Defence Correspondent

Britain is stepping up pressure on France and Italy to resolve problems surrounding the £8bn ($13.4bn) Horizon frigate project, one of Europe's most important collaborative defence programmes.

The UK Ministry of Defence is declining to sign a contract for the principal anti-air missile system (PAAMS), the vessel's main weapon, until disagreements with its French and Italian counterparts over the ship are resolved.

The main features of the missile programme have been agreed, and the contract is ready to be signed. But a UK defence ministry official said yesterday: "We welcome the progress on PAAMS. We urgently need similar progress on Horizon. Only when that progress has been achieved would it be appropriate for us to initial the PAAMS contract."

George Robertson, the chief UK defence minister, had set an end-1998 deadline for resolution of problems which have dogged the project for years, and the issue was raised at last month's Anglo-French summit.

Officials and industry executives refused to give details about outstanding issues, which are thought to involve balancing the frigate's capabilities with affordable costs, as well as arrangements for developing and producing the vessel.

The ministry official said a joint governmental steering committee has invited the manufacturing companies involved to propose a "more robustly structured industrial organisation". The designated prime contractor for the project is a joint venture consortium comprising France's DCN, GEC Marine of the UK and Orrizonte of Italy..

Defense News, a US weekly publication, reported the UK government wanted GEC to become the project's leader as part of an overhaul of the industrial structure. However, the official said governments had invited ideas from the companies and were not pushing any particular solution.

Britain's Royal Navy urgently needs the frigates to replace ageing Type 42 destroyers. Some UK defence experts have called for Britain to produce the ships without collaboration.

However, abandoning the tri-nation programme, or a further delay, would be a serious setback to European efforts to collaborate more closely on defence and to encourage industrial consolidation.A prime requirement of that is greater harmonisation of procurement between governments.

An industry executive said the companies were alive to Mr Robertson's requirements, which had "focused minds a great deal". The consortium "has made progress towards meeting the customers' key requirements in a way which governments regard as affordable".

MILLENNIUM FUTURISTIC BUILDING MAY BE PERMANENT FIXTURE

Film, media and property companies eye the dome

By Alice Rawsthorn and Brian Groom

The government has been approached by four consortia – including Hollywood movie studios, media and property companies – interested in taking over the Millennium dome after 2000.

The futuristic building at Greenwich in south-east London is costing £275m ($462m) to build and will house several exhibitions illustrating aspects of British life. Ministers are seeking a long-term use after the millennium celebrations that will allow it to become as permanent a fixture as the Eiffel tower in Paris.

Two of the consortia, both of which involve a Hollywood studio as well as several European media groups, propose to turn the dome into a film and television production complex together with a theme park.

The US studios may include Warner Bros, which has long been searching for a UK location for a studio and theme park with Lord Hollick's United News & Media group, as well as Sony Pictures and Walt Disney.

The other two consortia, both led by property companies, intend to use the site as a conference centre and an innovation park composed of low rent workshops and offices for young companies involved with industries such as internet design and computer games.

All four approaches have been made informally. The government will not consider formal bids until the middle of this month when the Cabinet Office is expected to start the process of auctioning the site to a new owner for when the Millennium Experience ends.

The government is keen to remove the risk of the dome structure being dismantled to make way for, say, a residential or retail development. The terms of the Cabinet Office auction are expected to be worded specifically to prevent this.

The movie studio and innovation park would be politically acceptable to the Labour government by fitting neatly into its policy of supporting creative areas of the economy. The government is keen to encourage film makers from outside the UK, particularly Hollywood studios, to make long-term investments in UK production as part of its efforts to sustain the film industry's recent revival.

It is also eager to enhance the UK's reputation as a source of talented software designers. Digital media, notably computer games and internet design, was recently identified as one of the fastest growing creative sectors with the potential to create 80,000 new jobs over the next decade.

Blair accused of choosing 'crony'

The opposition Conservative party yesterday accused Tony Blair, the prime minister, of "cronyism" after he appointed his long-standing friend Lord Falconer to take over from Peter Mandelson, who resigned from the government last month, as government shareholder in the Millennium Dome.

Peter Ainsworth, the Conservatives' culture spokesman, said the dome badly needed someone from outside politics to run it to give it credibility. Lord Falconer, 47, shared a flat with Mr Blair during the 1970s when both were young lawyers in London. He gave up his legal practice in 1997 to become solicitor-general in the Labour government.

Losing his head: a worker hangs up to dry some of the 5,000 cannabis plants PA

First cannabis harvested under licence for medical research

The first cannabis plants grown with government approval are being harvested, **Simon Buckby writes.**

The crop of 5,000 plants was sown in August in a glasshouse at a secure farm in southern England.

They are being cultivated by GW Pharmaceuticals, under government licence, as the first step in a research programme into the possible medicinal uses of cannabis. GW Pharmaceuticals is collaborating with HortaPharm BV, the Dutch medicinal cannabis breeding specialist, which has extensive experience in cultivating cannabis for medical purposes.

The government has been impressed by growing evidence that cannabis may have important therapeutic value and could be particularly useful as a pain killer in treating illnesses such as multiple sclerosis and epilepsy. Trials will begin soon and up to 2,000 people are expected to take part within two years.

NEWS DIGEST

MANUFACTURING

Falls in output increase pressure for rate cut

Fresh evidence pointing to a sharp contraction in the manufacturing sector has intensified pressure on the Bank of England, the UK central bank, to cut interest rates this week. Companies have suffered sharp falls in output, orders and the prices of goods they produce, according to the latest monthly survey. But the rate of contraction has slowed slightly, suggesting a recent weakening in the value of sterling may be easing pressure on exporters. The Chartered Institute of Purchasing and Supply, which compiled the index of more than 300 manufacturers, said prices were falling at their fastest rate for at least seven years. The index showed manufacturing activity falling for the ninth month in succession during December. The reading of 42.8 was slightly higher than 41.7 in November. A reading of less than 50 indicates the sector is shrinking. The latest reading is the second-lowest since the survey began in January 1992. **Christopher Adams, London**

CREUTZFELDT-JAKOB DISEASE

Two more deaths recorded

Two more people died during November from the new variant of Creutzfeldt-Jakob disease, which is linked to BSE or "mad cow disease". The figures from the Department of Health yesterday bring the death toll for the first 11 months of 1998 to 12; there were 10 deaths in 1997 and 10 in 1996. Scientists say that because the disease has a long and unknown incubation period it is still too early to predict how many people are likely to develop the fatal brain disease as a result of eating BSE-contaminated meat during the 1980s, before precautions were introduced.

OIL INDUSTRY PROTEST

13 arrests at Shell UK office

Police arrested 13 demonstrators yesterday after they barricaded themselves into the London offices of executives at Shell UK. They said they wanted oil companies to leave southern Nigeria in support of the Ogoni, the local tribespeople. The protesters had refused to leave despite a plea from Chris Ray, the outgoing chairman of the company, whose office was one of those targeted. The eight men and five women were taken to a local police station on suspicion of causing criminal damage.

TRAVEL IN SCOTLAND

High winds cause chaos

Flights from Glasgow and Edinburgh airports in Scotland were cancelled yesterday as winds reached more than 110kph. Great North Eastern Railway services between Scotland and England were delayed as overhead wires were brought down. Several flights and ferry services to Northern Ireland and the Scottish islands were also cancelled. In central Scotland, the Meteorological Office issued a severe weather warning as winds gusting at up to 130kph caused traffic chaos. **Andrew Taylor, London**

EUROPEAN UNION DISPUTE OVER WINE

Blair aims to speed up talks on SA trade deal

By Andrew Parker, Political Correspondent

The UK government has agreed to try to speed up protracted European Union negotiations with South Africa on a free-trade agreement that should have been concluded last year.

Tony Blair, prime minister, will "push" to ensure that outstanding issues are resolved because a "deal is within reach", according to his official spokesman.

The UK, which is South Africa's largest foreign investor, had made concluding the free-trade agreement a priority of its presidency of the EU during the first half of 1998, but that deadline was breached along with a subsequent autumn one.

The three-year-old negotiations became bogged down over EU insistence that South Africa phase out use of the names port and sherry for fortified wines.

Mr Blair will visit South Africa tomorrow, and hopes to make further progress on a £1bn ($1.7bn) defence deal for UK companies. British Aerospace and GKN are South Africa's preferred bidders for military training jets and helicopters, but negotiations are not expected to be finalised during Mr Blair's four-day visit.

Mr Blair will ask President Nelson Mandela of South Africa to try and break the impasse over the trial of two Libyans accused of organising the 1988 Lockerbie bombing. The UK Foreign Office believes Mr Mandela has a close personal relationship with Colonel Muammer Gadaffi, Libyan leader, who objected to a proposal by the US and UK to try the two accused in a neutral country and, if convicted, place them in a Scottish prison.

Mr Blair will strengthen ties with Thabo Mbeki, who is expected to become the country's president after elections in May. Mr Blair will announce an increase in aid to South Africa from £23m to £30m in the current financial year.

After South Africa, he will travel to Kuwait to meet Royal Air Force personnel involved in recent attacks by the US and UK on Iraq.

● Mr Blair last night completed the round of ministerial appointments caused by the resignations last month of Peter Mandelson as chief industry minister and Geoffrey Robinson as paymaster general at the Treasury.

Dawn Primarolo is promoted within the Treasury from financial secretary to paymaster general, while her job goes to Barbara Roche who moves from the post of minister at the Department for Trade and Industry responsible for small businesses. She will be replaced at the DTI by Michael Wills, who enters the government for the first time.

Top ministerial 'fixer' to resign

By Deborah Hargreaves in London

Fallout from last month's ministerial resignations continued yesterday when Charlie Whelan, press officer for Gordon Brown, chancellor of the exchequer, announced he would quit "as soon as an appropriate opportunity becomes available".

Newspapers revealed late last month that Geoffrey Robinson, one of Mr Brown's junior ministers, had made a personal loan to Peter Mandelson, chief industry minister, to enable him to buy his London home. Both men resigned from the government soon afterwards.

Mr Whelan's resignation follows persistent claims that he was responsible for leaking details of the loan.

He has vigorously denied the claims but said speculation about his role in the affair was making it impossible to carry out his job effectively.

It has long been known that Mr Mandelson and Mr Brown are rivals in the cabinet and represent diverging factions in the governing Labour party.

Mr Mandelson – a close ally of Tony Blair, the prime minister – personifies the modernising element that favours close links with business. Mr Brown is identified with a traditional style with strong connections to trade unions. The rivalry deepened after the death of John Smith, the party leader, in 1994, when Mr Mandelson campaigned successfully for Mr Blair rather than Mr Brown to take the helm of the party.

Mr Whelan had a high media profile. The government relies heavily on its image and Mr Whelan and other officials had far more prominent roles than they would have had in previous administrations.

Mr Whelan was a state employee but, as a minister's press officer, was not required to follow traditional rules of strict impartiality. He was also allowed to act politically on Mr Brown's behalf. His critics say he exploited his freedom and fomented unrest among ministers by secretly holding press briefings to undermine them.

Mr Blair's office is understood to have blamed Mr Whelan for the disclosures about Mr Mandelson's finances and is believed to have put pressure on Mr Brown to fire his aide. Mr Brown said he was satisfied with Mr Whelan's explanations. Mr Whelan said yesterday that the level of media interest in his role was "absurd". Gordon Brown will lose a top political "fixer" in the 44-year old Mr Whelan, who worked hard behind the scenes to boost Mr Brown's profile.

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Soccer chief in cash row quits

By Patrick Harverson in London

The Football Association began its search for a new management team yesterday after a cash-for-votes scandal forced the resignation of Keith Wiseman as chairman, paving the way for an overhaul of the governing body for soccer in England.

His departure comes three weeks after Graham Kelly resigned as FA chief executive over the same matter, and leaves the association temporarily leaderless when England is campaigning hard to win the right to host the World Cup in 2006.

The men lost the support of senior FA officials over a £3.2m ($5.4m) grant they agreed for the Football Association of Wales. The payment, which was not disclosed to other top FA officials, was offered in return for Welsh support of Mr Wiseman's attempt to gain a seat on the executive committee of Fifa, the world governing body.

Yesterday Mr Wiseman offered to resign after failing to win sufficient support from the 91-member ruling FA council for him to continue in his job. The FA said: "A motion accepting that resignation with no aspersions cast on his honesty and integrity was passed unanimously."

Leading figures from professional soccer, particularly the Premier League, are keen to use the ousting of Mr Wiseman and Mr Kelly as a platform to restructure the FA. The top clubs want to install a more dynamic leadership better suited to handling the commercial and political demands of the game.

Outsider's approach: ex-BAe man Lawrie Haynes Trevor Humphries

Roads agency chief seeks new direction

Lawrie Haynes aims to use technology, persuasion and private capital to tackle congestion. **Charles Batchelor** reports

Lawrie Haynes, chief executive of the Highways Agency, appears to be doing himself out of a job.

The state agency responsible for many of England's busiest roads has already suffered deep cuts in the roads budget. Now Mr Haynes wants to persuade people to travel by rail.

Three big towns in eastern England have run pilot schemes to encourage motorists to leave their cars at home and take the train. In a separate initiative message signs have appeared on congested roads directing drivers to the nearest train station.

"We are not in competition with the rail operators," explains Mr Haynes. "We have a growing congestion problem on our road network and our role is to do something about it."

This involves changing the culture of the organisation, which was separated from the notoriously roads-fixated Department of Transport in 1994. His task was made no easier in the early stages by staff unhappiness over big job cuts.

Mr Haynes, 46, has brought an outsider's approach to managing a government department. He spent the previous decade at British Aerospace and at 33 became head of its contracts department. He went on to run a telecommunications joint venture set up by BAe. His first five-year contract in his current post expires in February but he has just signed for a further 2½ years.

Mr Haynes's job is to have roads built and maintained more efficiently and to manage the existing network more effectively, often using computer-controlled traffic management systems.

"Technology is at last going into the roads industry," says Mr Haynes, whose research and development budget has been increased by £2m to £15m ($25m) a year over the past two years. "We are moving away from 'hard' engineering areas, such as road building materials and bridge strengths, to spending on electronics and surveys of motorists' attitudes."

This places great strains on the civil engineers who have traditionally made up a big part of the agency's workforce. "Some people saw this as the death knell of the civil engineer," says Mr Haynes. "I see a growing role for electrical and electronics engineers but I want the civil engineers to think more laterally. They have not been used fully in the past."

One of the most difficult changes for agency staff has been the need to co-operate with a wide range of partners – including local authorities, bus and coach companies – instead of simply imposing solutions.

A network valued at $92bn costs more than $1.5bn a year to maintain and generates no income

"In the past the agency thought it knew best and presumed that a road was the right solution," says Mr Haynes. "We didn't look at other suggestions. We have been moving away from that to a more customer-focused solution.

"We have spent the past three years listening to the local authorities, the rail companies and the bus and coach operators. The new role has reduced the agency's arrogance."

The agency's next challenge could be to shift the roads network into the private sector. Rail privatisation remains contentious. But there must be a strong temptation to examine ways of bringing more private capital into managing the roads, against the background of the government's commitment to hold down public spending.

Mr Haynes stresses that policy decisions are the responsibility of the government.

But he points out that a road network valued at £55bn ($92bn) costs £1bn a year to maintain and generates practically no income. "That looks like a heavy balance sheet liability to me," he says.

Whether or not the roads are in the private sector, getting the best out of the network will remain a tough task – Mr Haynes is unlikely to push himself out of a job for some time.

Sahaviriya Steel Industries Public Company Limited

Notice of Meeting to the holders of the outstanding

U.S.$110,000,000 3½ per cent. Convertible Bonds due 2005

of

Sahaviriya Steel Industries Public Company Limited

(the "Company")

Notice is hereby given that a Meeting of the holders of the above Bonds (the "Bondholders") will be held on January 29, 1999 at 10.00 a.m. (London time) at Chase Manhattan Trustees Limited located at Trinity Tower, 9 Thomas More Street, London E1 9YT, England for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as Extraordinary Resolutions in accordance with the provisions of the Trust Deed (the "Trust Deed") dated July 26, 1995 made between the Company and Chase Manhattan Trustees Limited (the "Trustee") as trustee for the Bondholders.

EXTRAORDINARY RESOLUTIONS

"THAT this Meeting of the holders of the outstanding U.S.$110,000,000 3½ per cent. Convertible Bonds due 2005 (the "Bonds") of Sahaviriya Steel Industries Public Company Limited (the "Company") constituted by the Trust Deed dated July 26, 1995 (the "Trust Deed") made between the Company and Chase Manhattan Trustees Limited (the "Trustee") as trustee for the holders of the Bonds (the "Bondholders") hereby:

Extraordinary Resolution 1
- assents to the following modification to the Terms and Conditions of the Bonds by the deletion of the last paragraph of Condition 10 and the insertion of "Upon any such notice being given to the Company, the Bonds will immediately become due and payable at their US dollar principal amount together with accrued interest, together payable in Thai Baht at the Weighted Average Interbank Exchange Rate announced by the Bank of Thailand for the date of such notice" in its place and requests, discharges and exonerates the Trustee in the terms of Extraordinary Resolution 5 below.

Extraordinary Resolution 2
- assents to the following modification to the Terms and Conditions of the Bonds by the deletion of the second sentence of Paragraph 5 of the Third Schedule to the Trust Deed and the insertion of "The quorum at a Meeting for passing an Extraordinary Resolution shall (subject as provided below) be two or more persons present in person holding Bonds or being proxies or representatives and holding or representing in aggregate over 30 per cent. in principal amount of the Bonds for the time being outstanding provided that the quorum at any Meeting the business of which includes any of the matters specified in the proviso to paragraph 18 shall be two or more persons so present holding Bonds or being proxies or representatives and holding or representing in the aggregate over one-third in principal amount of the Bonds for the time being outstanding" in its place and requests, discharges and exonerates the Trustee in the terms of Extraordinary Resolution 5 below.

Extraordinary Resolution 3
- assents to the following modification to the Terms and Conditions of the Bonds by the deletion of Paragraph 18 of the Third Schedule of the Trust Deed and the insertion of "Extraordinary Resolution means a resolution passed at a Meeting of Bondholders duly convened and held in accordance with these provisions by a majority consisting of not less than 51 per cent. of the votes cast" in its place and requests, discharges and exonerates the Trustee in the terms of Extraordinary Resolution 5 below.

Extraordinary Resolution 4
- assents to the following modification to the Terms and Conditions of the Bonds by the insertion of the following wording as a proviso to the first sentence of Condition 15: "provided that if the Bonds are in global form, notices to Bondholders will be validly given if the notice is delivered to the relevant clearing system for communication by it to entitled accountholders" and requests, discharges and exonerates the Trustee in the terms of Extraordinary Resolution 5 below.

Extraordinary Resolution 5
- authorises and requests the Trustee to enter into a Supplemental Trust Deed in such form as the Trustee shall approve to give effect to such of the Extraordinary Resolutions above as are passed, and any other consequent modifications of the Trust Deed or the Terms and Conditions of the Bonds as the Trustee deems appropriate and discharges and exonerates the Trustee from any liability to Bondholders in respect of acting in accordance with this request."

BACKGROUND

The Company has accordingly convened a Meeting of the Bondholders by this Notice for the purpose set out in this notice. Information has been provided by the Company in relation to "Developments in Thailand" and financial highlights of the Company which are available from any of the Agents as specified below.

The attention of Bondholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 3 of "Voting and Quorum" below.

Notice is further given to Bondholders that the Company has, pursuant to Condition 13(b) of the Bonds and with the agreement of the Trustee, amended the Trust Deed by the inclusion in the Third Schedule thereof of voting procedures in respect of Bonds held through the Depositary Trust Company. The amendment was made by means of a supplemental trust deed dated September 22, 1998 (the "First Supplemental Trust Deed") between the Company and the Trustee. Copies of the Trust Deed (including the Terms and Conditions of the Bonds and the First Supplemental Trust Deed) will be made available for inspection, and forms of documents referred to below will be available for collection, by Bondholders at the specified offices of the Principal Paying Agent, the Registrar and the Paying, Conversion and Transfer Agents set out below during normal business hours.

In accordance with normal practice, the Trustee expresses no opinion on the merits of the Extraordinary Resolution but has authorised it to be stated that it has no objection to the Extraordinary Resolution being submitted to the Bondholders for consideration.

VOTING AND QUORUM

A registered Bondholder may, by executing and delivering a form of proxy in English to the office specified below of the Principal Paying Agent not less than 24 hours before the time fixed for the Meeting, appoint a proxy.

A registered Bondholder which is a corporation may by resolution, in the English language, of its Directors or other governing body delivered to the office specified below of the Principal Paying Agent not less than 24 hours before the time fixed for the Meeting, appoint a person to act as its representative in connection with the Meeting.

IMPORTANT: The Bonds are currently in the form of two Global Bonds. One Global Bond is registered in the name of a nominee of The Depositary Trust Company ("DTC"). The other Global Bond is registered in the name of Chase Nominees Limited. Each person (a "beneficial owner") who is the owner of a particular nominal amount of the Bonds, as shown in the records of DTC or DTC's participants ("DTC Participants") or Euroclear, Cedel Bank or their respective accountholders ("Accountholders"), should note that such person will not be a Bondholder for the purposes of this notice and will only be entitled to attend and vote at the Meeting in accordance with the procedures set out below, except that DTC Participants who have been appointed proxies by DTC may attend and vote at the Meeting. Accordingly, if they have not already done so, beneficial owners should convey their voting instructions, directly or through the DTC Participant or Accountholder through whom they hold their interest in the Bonds, to DTC, Euroclear or Cedel Bank in accordance with the procedures of DTC, Euroclear or Cedel Bank and such DTC Participants or Accountholders or arrange by the same means to be appointed a proxy or sub-proxy.

1. **Bonds held through DTC**

1.1 If DTC appoints the DTC Participants as its proxies under an omnibus proxy in accordance with its usual procedures, the DTC Participants will be entitled to attend and vote at the Meeting.

1.2 A beneficial owner which is not a DTC Participant but wishes to attend and vote at the Meeting in person must produce a form of sub-proxy issued by the DTC Participant through whom he holds his Bonds. Forms of sub-proxy are available from the Principal Paying Agent.
Forms of sub-proxy must be delivered to the offices of the Principal Paying Agent not later than 24 hours before the time fixed for the Meeting.

1.3 A DTC Participant not wishing to attend and vote at the Meeting in person may give a voting instruction form and a beneficial owner not wishing to attend and vote at the Meeting may arrange for the DTC Participant through whom he holds his Bonds to give a voting instruction form, in each case, instructing the Principal Paying Agent to appoint a third person as a proxy to attend and vote at the Meeting in accordance with the instructions given. Alternatively the DTC Participant may appoint a sub-proxy or, in the case of a beneficial owner who is not a DTC Participant, the beneficial owner may arrange (as described in paragraph 1.2 above), through the DTC Participant through whom he holds his Bonds, for that DTC Participant to appoint some other person (which may include the beneficial owner) as a sub-proxy, to attend and vote at the Meeting in accordance with the beneficial owner's instructions.

1.4 Voting instructions must be given to the Principal Paying Agent not later than 48 hours before the time fixed for the Meeting and may not be revoked during the period starting 48 hours before the Meeting and ending at the close of the Meeting.
Only those DTC Participants shown in the DTC's records on January 19, 1999 (the "Record Date") will be entitled to vote on the Extraordinary Resolution or issue voting instructions to the Principal Paying Agent or appoint sub-proxies to enable their votes and those of beneficial owners who hold their Bonds through DTC Participants to be cast.

2. **Bonds held through Euroclear and Cedel Bank**

2.1 Those beneficial owners who hold their interests in Bonds through Cedel Bank or Euroclear (each a "Clearing System") and who wish to attend and vote at the Meeting should contact the relevant Clearing System to make arrangements to be appointed as a proxy in respect of the Bonds in which they have an interest for the purposes of attending and voting at the Meeting. Beneficial owners must have made arrangements to vote with the relevant Clearing System by not later than 48 hours before the time fixed for the Meeting and any voting instructions given may not be revoked during the period starting 48 hours before the Meeting and ending at the close of the Meeting.

2.2 Those beneficial owners who hold their interests in Bonds through a Clearing System and who wish to vote at but do not wish to attend the Meeting should contact the relevant Clearing System to arrange for another person nominated by them to be appointed as a proxy in respect of the Bonds in which they have an interest to attend to vote at the Meeting on their behalf or to make arrangements for the votes relating to the Bonds in which they have an interest to be cast on their behalf by the Principal Paying Agent acting as a proxy. Beneficial owners must have made arrangements to vote with the relevant Clearing System by not later than 48 hours before the time fixed for the Meeting and any voting instructions given may not be revoked during the period starting 48 hours before the Meeting and ending at the close of the Meeting.

3. **Quorum**
The quorum required at the Meeting is two or more persons holding Bonds or being proxies or representatives and holding or representing in the aggregate over two-thirds in principal amount of the Bonds for the time being outstanding. If within 15 minutes of the time fixed for the Meeting a quorum is not present, the Meeting shall be adjourned for such period, not being less than 14 nor more than 42 days later, and to such place as the Chairman of the Meeting may decide. At such adjourned Meeting, the quorum shall be two or more persons so present holding Bonds or being proxies or representatives and holding or representing in the aggregate over one-third in principal amount of the Bonds for the time being outstanding.

4. **Voting**
Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting, the Company or the Trustee or by one or more persons holding one or more Bonds or being proxies, sub-proxies or representatives and holding or representing in the aggregate not less than 2 per cent. in principal amount of the Bonds for the time being outstanding. On a show of hands every person who is present in person or any person who is present and is a proxy or sub-proxy or a representative shall have one vote. On a poll every person who is so present shall have one vote in respect of each U.S.$1,000 principal amount of Bonds produced or in respect of which he is a proxy, sub-proxy or a representative.
To be passed, each Extraordinary Resolution requires a majority in favour of not less than three-quarters of the votes cast. If passed, each Extraordinary Resolution will be binding on all the Bondholders, whether or not present at such Meeting and whether or not voting.

TRUSTEE
Chase Manhattan Trustees Limited
Trinity Tower, 9 Thomas More Street, London E1 9YT, England

REGISTRAR
The Chase Manhattan Bank
450 West 33rd Street, New York, New York 10001, USA

PRINCIPAL PAYING, CONVERSION AND TRANSFER AGENT
The Chase Manhattan Bank
Trinity Tower, 9 Thomas More Street, London E1 9YT, England

PAYING, CONVERSION AND TRANSFER AGENT
Chase Manhattan Bank Luxembourg S.A.
5 rue Plaetis, L-2338 Luxembourg

The Chase Manhattan Bank
for and on behalf of
Sahaviriya Steel Industries Public Company Limited

January 5, 1998

NEWS DIGEST

...ACTURING

... in output increase ...sure for rate cut

...FELDT-JAKOB DISEASE

...more deaths recorded

...USTRY PROTEST

...rests at Shell UK office

IN SCOTLAND

...winds cause chaos

...tyco

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- Good conference and function facilities.
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0115 948 3100

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EMI DUAL REGISTERED HOME FOR 31
- 21 singles, 6 twins (12 en suite).
- 25 nursing, 6 residential. Management run.
- T/O 30.4.98 £524,312. Net profit £179,000.
- 8 person passenger lift. 95% plus occupancy.
- Plans passed for 20 bed extension.
- Good order throughout. Present hands 17 years.

£775,000 FREEHOLD
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RESIDENTIAL CARE HOME REGISTERED FOR 16
- Substantial purpose built extension.
- 10 singles and 3 twin rooms (5 en suite).
- Good occupancy levels.

£275,000 FREEHOLD
Maidstone Office Ref 88/FT71916/MA1
01622 656000

PERTH

THE ALMONDBANK INN, ALMONDBANK
- First class business, well appointed throughout.
- Lounge bar, restaurant (52), games room.
- Excellent trading location.
- Good T/O and profit margins.

OFFERS IN EXCESS OF £230,000 FREEHOLD
Edinburgh Office Ref 52/FT54317/FD1
0131 557 6666

ABERDEEN

CAFE BAR
- Superb business. Much sought after trading location.
- Amongst major multiple corporate operators. Excellent profits.
- Open plan bar and restaurant area. Circa 11,000 sq ft.

PREMIUM £600,000/RENT £120,000 FREEHOLD NEGOTIABLE
Edinburgh Office Ref 52/FT54318/FD1
0131 557 6666

WHITBY

THE WHITE HOUSE HOTEL
- Famous hotel, public house and restaurant.
- Superb location overlooking Whitby Golf Course.
- 11 letting bedrooms, bar, restaurant and dining room.
- T/O to 28.3.98 circa £361,000 net.

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Leeds Office Ref 34/FT3472/HC1
0113 245 9667

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Fax: ++ 44 (0) 171 405 9772
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http://www.henry.butcher.com/masea

MACDERMOTT & CHANT (GROUP) LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)
DIARY AND PRINTING BUSINESS

The Joint Administrative Receivers, Neville Kahn and Richard Bingham, offer for sale the business and trading assets of this diary and printing business, based in Middlesex, Cornwall and Nottingham.

Principal features of the business include:
- excellent reputation for quality and superior workmanship
- strong relationships with high profile customers
- niche supplier to top end of diary market
- specialist trade binder, with expertise in PUR binding technology, digital/short run print and retail point of sale material
- estimated 1998 turnover £12m

For further information, please contact Karen Wood of PricewaterhouseCoopers, Plumtree Court, London EC4A 4HT.
Tel: 0171 212 6006. Fax: 0171 212 6004.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

SYNTEXT LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)
PRINTING BUSINESS

The Joint Administrative Receivers, Neville Kahn and Mark Shires, offer for sale the business and trading assets of this specialist printing business, based in Nottingham.

Principal features of the business include:
- close working relationship with blue chip company
- excellent reputation as a specialist trade binder, with expertise in PUR binding technology, digital/short run print and retail point of sale material
- significant investment in potential growth areas that has not yet been capitalised on
- estimated 1998 turnover £7.5m

For further information, please contact Karen Wood of PricewaterhouseCoopers, Plumtree Court, London EC4A 4HT.
Tel: 0171 212 6006. Fax: 0171 212 6004.

PRICEWATERHOUSECOOPERS

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IDEAL BAKERIES
BREAD AND SPECIALIST CONFECTIONERY

The Joint Administrators, Derek Howell and Stuart Mackellar, offer for sale the business and assets of Hafren Wholesale Co Limited, trading as Ideal Bakeries, an innovative and long established manufacturer and distributor of bread and specialist confectionery products, based in mid Wales.

Principal features of the business include:
- turnover c£9m in frozen and chilled bakery products
- modern freehold manufacturing facility, c40,000 sq ft, capable of 40% growth
- blue chip customer base
- experienced and skilled workforce of c150 employees
- distribution business (turnover c£1m) operating from two freehold premises in Aberystwyth (9,000 sq ft) and Haverfordwest (8,000 sq ft)

For further information, please contact Derek Howell or Roger Hale of PricewaterhouseCoopers, Haywood House, Dumfries Place, Cardiff CF1 4BA.
Tel: 01222 376255. Fax: 01222 374124.

PRICEWATERHOUSECOOPERS

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IONICA PLC
(IN ADMINISTRATION)
NETWORK SITES

The Joint Administrators, Neville Kahn and Chris Hughes, offer for sale the property rights and interests in its network sites and (as appropriate) the material assets installed thereon.

Principal features of the disposal include up to:
- 17 switch sites and structures
- c700 sites in total
- c400 sites operational with an established radio network
- structural installations
- installed telecommunications cabins and transmission equipment
- for sale as a whole or network segments

For further information, please contact Mark Priest or Graham Stenning at Ionica plc (In Administration), Cowley Road, Cambridge CB4 4AS.
Tel: 01223 223350. Fax: 01223 223103.

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ARMITAGE AND RHODES LIMITED IN ADMINISTRATION

The Joint Administrators R. Robinson and R.W. Traynor offer for sale the whole of the business and assets of Armitage and Rhodes Limited trading as textile weavers specifically for the production of upholstery fabrics.

Principal Features are:
- Reputable Jacquard Weavers of upholstery fabrics for the residential and contract markets.
- Well located close to the M1 and M62 in West Yorkshire.
- Turnover in excess of £2 million.
- 20 Looms with room for a further 10.
- State of the art warping facilities.
- 55,000 sq. feet premises on short term lease.
- 34 multiskilled employees.
- Well established relationships with key customers.
- Extensive CAD design archives and innovative product portfolio

For further details please contact R.Robinson or G.N.Lee:

BEGBIES TRAYNOR
Elliot House
151 Deansgate
Manchester
M3 3BP
Telephone: 0161 839 0900
Facsmilie: 0161 832 7436

B T

PKF worldwide

CHRISTIES PANEL PRODUCTS LIMITED
(in Administration)

The Joint Administrators, Keith Morgan and Fred Satow, offer for sale the assets and business of a leading fitted furniture manufacturer and retailer based in Bristol.

Principal features of the business are:
- annual turnover approximately £20m
- specialising in bedrooms, kitchens, bathrooms and home studies furniture
- extensive range of woodworking equipment and paint finishing facilities
- 79,000 sq ft leasehold premises, depots at Clevedon, North Somerset and Luton, Bedfordshire, and 46 showroom concessions

For further information please contact the Joint Administrator, Keith Morgan, at the company's premises.

Christies Panel Products Limited
First Avenue
Royal Portbury Dock Estate
Portbury
Bristol BS20 7XP
Tel: (01275) 378000
Fax: (01275) 378090

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R E Ingham & Company Limited

In Administrative Receivership

The Joint Administrative Receivers, R.S. Preece and A.M. Martin, offer for sale the business and assets of the above company. The company is the largest UK OEM manufacturer of loudspeakers.

The main features of the business are:
- Fully equipped freehold factories at Farnham Lane (77,000 sq.ft.) and Manse Lane (25,000 sq.ft.), Knaresborough, North Yorkshire
- Freehold factory at Bradford, West Yorkshire (77,000 sq.ft.)
- Skilled workforce of approximately 80 employees
- Annual turnover of some £10 million

For further information please contact the Joint Administrative Receiver, Ralph Preece or Nick Edwards at R E Ingham & Company Limited. Telephone: 01423 864321 Fax: 01423 886378

Deloitte & Touche

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

By order of the Administrator
Martin H Linton, FCA, FSPI
of Leigh & Co
Re: CRANDLEY MARKETING LIMITED
Offers are invited for the business and assets of this established niche market mail order house with turnover in the order of £5million pa.
Please fax in first instance to the Administrator's Agent
FOULDS-INGHAM LIMITED
342 Harrow Road, London, W9 2HP
Fax: 0171-266 2667
or 0171-286 8200

Recruitment Business For Sale
- Retirement sale
- Industrial sector, mainly temporary
- Turnover 97/98 over £5m
- Strong growth prospects

Replies:
Box B6228, Financial Times, One Southwark Bridge, London SE1 9HL

Crumax Magnetics Limited
(In Administration)

The Joint Administrators, W S Martin and T N Birch offer the business and assets of this magnet manufacturing company for sale

- *manufacturers of neodymium magnets*
- *experienced workforce and technical expertise*
- *2 sites in the Southport area*
- *recently acquired from previous owner*
- *turnover of around £4m in nine months since acquisition*
- *overseas customer base*
- *high growth market*

For further information please contact either of the Joint Administrators or Geraldine Rigby or Tracey Heath at:

100 Barbirolli Square, Manchester M2 3EY
Telephone: 0161 952 1000
Facsimile: 0161 952 1507

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For more information please contact Box 6225, Financial Times, One Southwark Bridge, London SE1 9HL.

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CONTRACTS & TENDERS

ETBA Finance
ECONOMIC & FINANCIAL SERVICES S.A.

ANNOUNCEMENT
FIRST INTERNATIONAL PUBLIC TENDER FOR SALE OF THE ASSETS OF "THE COMMERCIAL & INDUSTRIAL COMPANY FOR THE SALE & RECYCLING OF METALS S.A." known as "REMET S.A."

ETBA FINANCE ECONOMIC & FINANCIAL SERVICES S.A., established in Athens (1 Eratosthenous & Vas. Constantinou Sts.), in its capacity as special liquidator, by virtue of Decision No. 4659/1998 of the Athens Court of Appeal, of the above company which is in special liquidation as per article 46a of Law 1892/1990, as supplemented by article 14 of Law 2000/1991 as currently in force

ANNOUNCES

a First International Public Tender, with sealed, binding offers for the sale of the total assets of "THE COMMERCIAL & INDUSTRIAL COMPANY FOR THE SALE & RECYCLING OF METALS S.A." ("REMET S.A.").

Summary data on the company under liquidation

"THE COMMERCIAL & INDUSTRIAL COMPANY FOR THE SALE & RECYCLING OF METALS S.A.: (REMET S.A.") owns a factory in the industrial zone of Patras for trading, importing, exporting, producing, processing and recycling ferrous and non-ferrous metals, wire cables of all types, scrap metal, as well as high-technology products and machinery of all types.

The unit is installed on a self-owned plot totalling 5,029 m² in area which is fenced all around and rectangular in shape and faces a paved road. There is a weigh bridge by the central entrance of the open area.

The building in which production takes place is 671 m² in area and also has a shed 342.57 m² in area plus a small electric power company building 18 m² in area. The building has been constructed with prefabricated reinforced concrete sections (both walls and ceilings), with cement floors and metal window and door frames.

The mechanical equipments is suitable for the above-mentioned company operations.

Terms of the Announcement

1. The tender will be conducted in accordance with the provisions of article 46a of Law 1892/1990 as supplemented by article 14 of Law 2000/1991 as currently in force; the terms contained in the present Announcement and the terms contained in the Offering Memorandum, regardless of whether or not they are repeated in the present. The submission of a binding offer implies acceptance of all these terms.
2. Interested parties may obtain a detailed Offering Memorandum and ask for any other information on signature of a confidentiality agreement.
3. Interested parties are invited to submit a sealed, binding offer to the Athens notary public assigned to the tender, Mrs. Constantina A. Vassiliou at 104 Asolou Street, Athens, tel. (301) 3217222 by 12 noon on Thursday, 28th January 1999. Offers must be submitted in person or by a legally authorised representative. Offers submitted beyond the time limit will not be accepted or taken into consideration. Offers must not contain terms upon which their binding quality will depend or which create vagueness with regard to the amount or the method of payment of the offered price or with regard to any other essential points.
4. Offers must be accompanied, *on penalty of cancellation of the offer,* by a letter of guarantee from a first class bank legally operating in Greece, to the amount of fifty million drachmas (GDR 50,000,000) as per specimen contained in the Offering Memorandum, *valid until the adjudication for low bidders and until signature of the sale contract for the highest bidder.*
5. The offers will be opened by the above-mentioned notary in her office at 14:00 hours on Thursday, 28 January 1999. Interested parties who have submitted binding offers within the time limit are entitled to attend the opening of the offers.
6. The sealed, binding offers must specifically state the offered amount, in what currency and the method of payment (whether in cash or on credit). In the event that payment is to be on credit the offer must state the number of instalments, when they are to be paid and the interest rate during the entire period up to final settlement. If mention is not made of a) the method of payment b) whether the balance on credit will bear interest or not c) the rate of interest, then it will be correspondingly deemed that a) the amount will be paid in cash, b) the balance on credit will not bear interest, c) the rate of interest for the balance on credit will be calculated on the interest rate of the latest issue of state bonds of one year's duration, and d) the currency shall be in drachmas.
7. The factory is offered for any kind of production that the purchaser may choose. In any event, however, the purchaser must at his own expense and care, see to the corresponding issuing of the necessary work permit.
8. In the event of part payment on credit, the present value will be taken into account, which will be calculated with the interest rate of the latest issue of state bonds of one year's duration. If the offer is made in foreign currency, for its conversion into drachmas, the fixing price of the Bank of Greece on the final day for the submission of offers to the present tender will be used.
9. The highest bidder to the tender will be the one whose offer will deemed by the creditor ETBA S.A., following the proposal to this effect by the liquidator, to be the most satisfactory for the creditors of the company in liquidation.
10. The elements which make up the company's assets shall be sold "as is and where is" and, more specifically, in their actual and legal condition and at the place where they are situated on the day of signature of the sale contract. The liquidator and the creditors are not responsible for legal or actual defects or deficiencies of any kind of the assets for sale, nor for any incomplete or inaccurate description of them in the Offering Memorandum. Interested parties, should, with their own means, diligence and responsibility, and at their own expense, look into and form their own assessment of the objects for sale. The submission of an offer implies that the interested party is fully aware of the legal and actual state of the objects for sale.
11. In the event that the person to whom the assets of the company under liquidation are adjudicated fails in his obligation to appear at the time and place specified in the liquidator's invitation, in order to sign the relative contract in accordance with the terms of the present Announcement and of his offer, as finally composed, then the guarantee, as above, is forfeited in favour of the liquidator and the creditors in order to cover all expenses of any kind, time spent and real or paper losses sustained, with no obligation to provide proof of such, or *consider the amount as a penalty clause and collect it from the guarantor bank.*
12. The liquidator and the creditors bear no responsibility towards participants in the tender, both with regard to the report assessing the offers, to their proposal of the highest bidder, to their decision to repeat the tender and, generally, with regard to other decisions taken concerning the procedure and execution of the tender.
13. Those parties taking part in the tender and submitting offers do not acquire any right, claim or demand form the present Announcement and from their participation in the tender, against the liquidator or the creditors for any cause or reason.
14. According to para. 13 of article 46a of law 1892/1990 the sale contract and the necessary transfers accruing from it and any other relative transaction are exempted from taxes, dues or state or third party rights or stamp duties, while the rights and fees of notaries, lawyers, supervisors and mortgagors are restricted to 30%. Any expenses incurred in the sale of the assets (VAT, the fees of lawyers, notaries and mortgagors, judiciary supervisors, etc.) rights and other expenses are to be borne by the buyer.

The present was drafted in Greek and translated into English. However, in the event of differences occurring in translation, the Greek text will prevail.

In order to obtain the Offering Memorandum and for any additional information, please apply to the offices of the liquidator ETBA FINANCE Economic & Financial Services S.A.
1 Eratosthenous & Vas Constantinou Sts (4th Floor) Athens,
Tel (301) 7560210, (301) 7560276, (301) 7560506 and Fax (301) 7560884
(Mr. Ch. Papadimitriadis and Mrs. S. Anagnostopoulou).

هكذا من الاصل

Embracing change: Trudell's appointment as the most senior women in the US motor industry is a recognition by GM of the need for innovation Photographs: Sinead Lynch

INTERVIEW CYNTHIA TRUDELL, SATURN CHAIRMAN

Different kind of boss

She's an 'outsider' but the new head of the GM subsidiary is just what it needs for she has proved adept at adopting novel ways of working, writes **Haig Simonian**

"A different kind of company: a different kind of car" is how General Motors describes its Saturn subsidiary. Now all the spin doctors have to add is: "A different kind of chairman".

At the Detroit motor show this week, Cynthia Trudell, a 45-year old Canadian, will join the new models on display in her first big public appearance since being appointed the boss of Saturn last month.

The move marks an important step for Ms Trudell, who spent the previous three years running IBC, a UK-based GM subsidiary building sports utility vehicles. But the move is also a significant symbol for GM. Her promotion makes her the most senior woman in the US motor industry. More important, it suggests a greater openness at GM – still dominated by North American veterans and noticeably less diverse than its closest rival Ford – at a time of unprecedented change in its business.

Ms Trudell's promotion comes as apt recognition of her achievements at IBC. The run-down Luton plant, which used to make light vans, gained a new lease of life when it became GM's sole European source for sports utility vehicles. At its peak, the Luton-built Frontera model was Europe's most popular mud-buster.

The Frontera has since lost that crown. But the smooth transition last September to a new model and GM's decision to buy out Isuzu, its joint venture partner at IBC, both came under Ms Trudell's stewardship.

After a career spent largely in production – she ran a big US plant before taking over IBC – the shift to Luton gave her the chance "to get some breadth and depth in general management".

IBC was an invaluable learning experience, she says. Not only did she run her own show for the first time, but IBC was also unusual within GM for working intimately with other big car companies.

The first was Isuzu, the Japanese vehicles group in which GM has a controlling stake. The Frontera is based on Isuzu's Rodeo, customised for the European market. The close co-operation required with the Japanese to alter the vehicle "gives you rare insight as an executive in leading these sorts of partnerships", she says.

Isuzu was followed by Renault – the French vehicles group with which GM is developing a new line of vans, also to be built in Luton. "Again you have a different culture and way of doing business. IBC has taught me adaptability."

Having earned her stripes running her own show, the approachable but, by all accounts, steely sharp Ms Trudell seemed destined for greater things.

Her face should fit at Saturn. Established in the mid-1980s as GM's answer to the rising tide of Japanese imports, Saturn was widely seen as one of the few success stories in an otherwise grim decade for the world's biggest carmaker.

Based at a greenfield plant in Tennessee, the operation pioneered what were for GM novel concepts such as team working, flat hierarchies and close union involvement in decision making. From the start, Saturn was distinctly – and deliberately – different from the rest of the bureaucracy-laden group.

Appointing a woman to the top job continues that innovative tradition. Innovation is certainly required now Saturn's star is starting to wane. After a tremendous start, sales have slipped in recent years as US buyers have drifted away from the conventional cars Saturn builds to sports utilities and people-carrying "minivans".

That has changed Saturn's dilemma from how to squeeze more production from its massive Spring Hill, Tennessee plant to how to maintain interest in its restricted three model range.

Saturn's customers are famously loyal – about 44,000 turned up at the plant for its 10th anniversary in 1994. But even their loyalty has limits when its products no longer correspond to most drivers' requirements. In November, for the first time, sports utilities and minivans accounted for almost 51 per cent of the US market. Their popularity at the expense of conventional saloons is expected to continue.

> 'Very few car companies today have the ability to go it totally alone'

Help is on the way. This year should see the arrival of a new, larger Saturn saloon, built at a GM plant in Delaware where workers accepted Saturn-style flexibility to preserve their jobs. Among other innovations to maintain sales have been the addition of a small side door on Saturn's coupé, giving better access for rear seat passengers.

Ms Trudell, who spent a week at Spring Hill and at Saturn's administrative headquarters north of Detroit last month, refuses to say whether Saturn's own sports utility and minivan are on the way. While admitting such products "are not going to be immediately available", she notes that one of Saturn's most distinctive features has been its willingness to listen to its dealers. Many analysts expect such models, but not for some time.

Maintaining Saturn's distinctiveness when GM is going all out for global economies of scale will be Ms Trudell's other big challenge. She will have to tread carefully. Recent months have seen friction at Opel, GM's biggest European subsidiary, as German engineers have grown increasingly disheartened that their company – now responsible for all GM's non-US vehicles – may be losing its distinctive high-tech German identity.

Ms Trudell will have to fight to ensure Saturn retains its special character – even if its cars inevitably become swallowed up in GM's global standardisation drive. "Very few car companies today have the ability to go it totally alone", she notes. Her priority will be "to ensure Saturn maintains competitive strength without losing what is core to the business". While Saturn must retain its brand image, "we need to leverage with GM wherever we can," she says.

So far, the risks seem limited, not least because Saturn's most distinctive feature remains its innovative retailing system – which GM wants to emulate in all its subsidiaries rather than to submerge.

She is full of praise for the light, airy dealerships which distinguish Saturn from the decrepit lots of many rivals. And Saturn's straightforward, no-haggle approach to selling cars will remain one of its most distinctive features, she says.

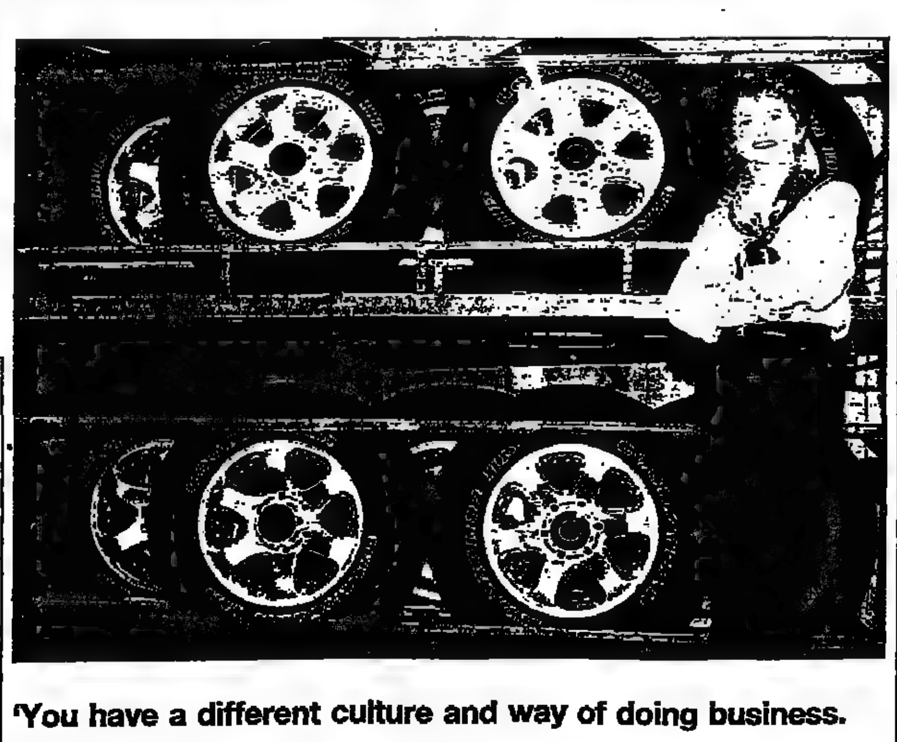
"It's still the same level of technical understanding of the product and just a genuine desire to inform the customer", she says, admiringly, after a sneak visit to a Detroit dealership last month.

She also claims to be undeterred by the risks of becoming swamped in GM's notorious bureaucracy after three happy years of relative independence in the UK. Although slimmer than in the past, GM remains a byword among analysts for tortuous decision making.

"I don't see the level of bureaucracy that I've seen in the past," she says. "There is less tolerance for that at the top." The change has been brought about largely by the steady erosion in GM's share of the US car market from a historical high of 50.7 per cent in 1962 to barely 30 per cent today.

"I do see a change. There is a sense of urgency. People are saying: 'What are our options? What data do we have? Let us plot our future.'"

For many, the appointment of an outsider like Ms Trudell to the male, American-dominated, top echelons of GM is a gratifying indication that the group realises how much its culture must change if it is to achieve its ambition of not only manufacturing globally, but having the corporate culture to match.



'You have a different culture and way of doing business. IBC has taught me adaptability'

Cynthia Trudell

INFORMATION TECHNOLOGY LABORATORY NOTEBOOKS

Research made an open book

Scientists' data can be made more widely available thanks to Kodak's new electronic system, writes **Michael Kenward**

To most research scientists their laboratory notebooks are everything. This is where they jot down ideas, the objectives and results of experiments, with the essential details of the methods employed. Notebooks can even become crucial legal documents when it comes to showing priority in patent disputes.

Laboratory notebooks contain far more information than appears in the public record. They contain details of experiments that went wrong, techniques that didn't work or chemical reactions that failed. Such detail usually goes missing when researchers write papers for scientific journals. Yet "failures" can be as important as successes for a company, if only to prevent someone else going down the same blind alley.

Until recently laboratory notebooks were essentially the individual scientist's territory, more of an aide-memoire than a public document.

But now Kodak, the US-based photography and imaging company, has developed an electronic version of the laboratory notebook at its research centre at Harrow in the UK. The notebook is built around International Business Machines' Lotus Notes software – the company already used Notes as its standard groupware and messaging tool.

The electronic notebook provides a standard set of tools to record the scientists' work – the aims, methods, results and conclusions of R&D projects. In this way researchers can collaborate more easily with their colleagues in other laboratories. At Kodak, for example, the software has already begun to help teams in the UK and the US to work together.

Notes software has several advantages for such a project. It allows programmers to write prototype systems that they can easily change. "If it is not quite right you can fix it quickly," says Jon Waterhouse, head of the project at Kodak and a member of the company's information systems department.

Another benefit is that the software can be adapted to how scientists work. "Their job is to do something different every time," says Simon Coles of New Information Paradigms (Nip), the software R&D company that developed the electronic notebook for Kodak. "What we are trying to do is to accommodate their natural way of working," says Mr Coles. Notes makes this possible because it can file unstructured information more easily than conventional databases.

Kodak decided to develop the notebook to increase efficiency in R&D. But scientists are notorious for their individuality. The whole idea of an electronic notebook, says John Trigg, of Kodak's analytical laboratory, is to deliver R&D "without burying it in bureaucracy". The company wanted a tool that would reduce the time taken to do research. Mr Trigg points to several benefits from the notebook. To begin with it improves teamwork by sharing information. It also integrates different types of data and eliminates some paperwork. Here the software helps by making it easier to transfer data from the electronic notebook to reports without the risk of introducing transcription errors.

> 'There has been an increased acceptance of the need to share data'

"The system has become widely popular, within a very short timescale, with Kodak scientists at the Harrow site," says Mr Waterhouse. The company's 150 scientists there use the electronic notebook, along with people who need to retrieve scientific data. It is not always easy to persuade scientists thousands of miles away to rethink how they work, but the idea is catching on. "There is a small committed group of users based at our Rochester [US] plant, some of whom work closely with colleagues at Harrow using the electronic laboratory notebook."

The notebook is still being developed but has already led to a cut of 10 per cent or so in the time it takes for the company's analytical laboratory to produce results.

The next step, says Mr Waterhouse, is to enhance the software to handle the formulae and reactions chemists work with. While there are database systems that can hold this information, he explains, there isn't anything that can hold details of chemical reactions that do not work.

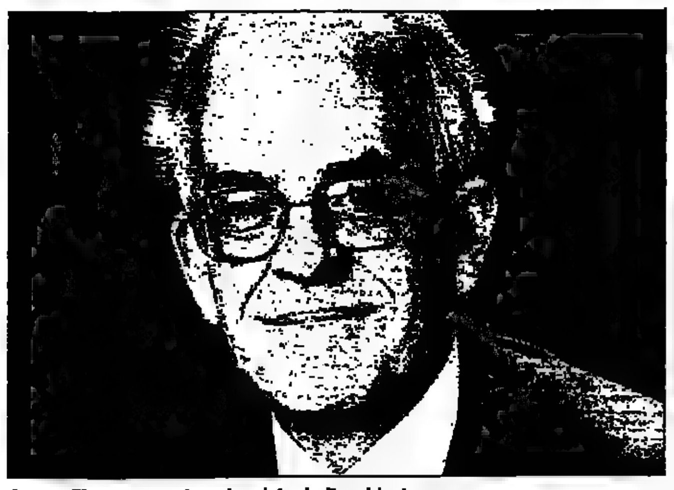
As Mr Waterhouse puts it, it is impossible for an individual researcher "to access the company knowledge base easily, to ask questions such as 'Has someone worked on this before, did someone do something similar, was it a success or a failure, who should I talk to in order to find out about a given subject?' An electronic laboratory notebook enables efficient, secure access to the company knowledge base."

It is not just group activity that benefits from an electronic notebook. Individual researchers find it helps them to plan their own work more efficiently. The notebook is changing the attitudes of scientists, says Mr Waterhouse. "Chiefly, there has been an increased acceptance of the need to share data rather than keep it private until publication time."

Nip wants to develop the electronic notebook for other companies. Mr Coles says there is nothing like it already on the market.

Note taking cannot remain just one scientist's territory Hulton Getty

PEOPLE & ENVIRONMENT



James Clark: promoting chemistry in its widest sense

ENVIRONMENT GREEN CHEMISTRY

Formula for a fresh focus

Environmentally friendly chemical processes are the priority of a new initiative, writes **Simon Hadlington**

Over the past two or three years, the chemical industry's tarnished image worldwide has spurred the development of processes and technologies that result in more efficient chemical reactions that generate little waste.

The trend is called "green chemistry," and has led to a number of initiatives appearing around the world. In the US, a Green Chemistry Institute was established recently, while last year India staged its first green chemistry conference.

"The concept of green chemistry was first articulated in the early 1990s but has gained wider currency only in the last two or three years," says James Clark of York University in the UK.

Prof Clark is one of the principal founders, and first director, of the Green Chemistry Network, a UK organisation due to be launched early this year. It aims to promote practices that reduce the environmental impact of chemical processes and products.

He and his fellow organisers hope the initiative will also go some way to improving the chemical industry's public image.

The aim of the new network will be to bring together anyone with an interest in green chemistry, to organise training courses and conferences, and to work with educationists to produce teaching materials for schools and universities.

"The two most important aspects of the network are in education and in promoting chemistry in its widest sense. It is very important for the subject and the industry that we seek to improve its image by showing that we are concerned about its environmental impact and that we are making a real effort to improve things," says Prof Clark.

Alan Curzons, a member of the Environmental Product Stewardship group at SmithKline Beecham, one of the world's biggest pharmaceutical companies, is enthusiastic about the project. "The network will help to generate a global overview of research in the broad area of green chemistry, and so will assist in allowing research to develop along the right lines. I think it is important that we see a more needs-driven research programme."

Mr Curzons believes the network will have an important role in educating chemists.

"Green chemistry is very much at the front end of the chemical process – it is much more than merely waste prevention. In many respects it is a 'mindset' thing, to get people to look at the whole process and to introduce those concepts to the trainers and educators."

PEOPLE ON THE MOVE

Braddock leaves True North for internet service business

Richard Braddock, a former number two at Citicorp, is to step down from the board of True North Communications following his decision to take up a new post in the fast-growing world of internet commerce.

He has decided to take on the position of chairman and chief executive of Priceline.com, an Internet service that allows people to bid for airline tickets at less than the normal published price.

It is the latest in a series of moves for Braddock, 56, following his departure from Citicorp in 1992. In his 20 years with the bank, he held a variety of senior executive jobs, culminating in the position of president and chief operating officer.

He left Citicorp to become chief executive of Medco Containment Services, a managed care drug sales company, until its sale to Merck in 1993. He then joined Clayton Dubilier & Rice, the New York investment firm.

In late 1997, after True North's acquisition of Bozell Jacobs Kenyon & Eckhardt, Braddock was named non-executive chairman to allow Bruce Mason, True North's chief executive, and Charles Peebler, president, to focus on integrating the two companies.

Apart from being the world's sixth-biggest advertising holding company, True North is also owner of Modem Media.Poppe Tyson, one of the largest interactive media companies, so Braddock's decision to take the top job at Priceline.com could have presented a potential conflict of interest with his continued membership of True North's board.

Braddock, who received an MBA from the Harvard Graduate School of Business Administration in 1965, joins Priceline.com at a significant moment in its short history. The company began operations less than a year ago, yet has already announced plans for an initial public offering.

It has also attracted some controversy, since most big US airlines have said they do not provide Priceline.com with tickets at prices other than those available through normal channels.

Richard Tomkins, New York

Foster promoted at Reunion

Nick Graham, one of the two geologists who founded Reunion Mining, the company developing Africa's biggest zinc mining project, is stepping down as managing director.

He is succeeded by **Michael Foster**, who for the past two years has been the board member responsible for Reunion's new business development.

Graham and Andrew Woollett, chairman, set up Reunion, which is listed in London, in 1989. The company is earning 60 per cent of the Skorpion zinc project, situated inside the diamond area known as the "forbidden zone" of Namibia's Skeleton Coast, from Anglo American Corporation of South Africa, which discovered it in 1976 but could not find a way of profitably releasing the zinc from the ore.

Fiore: promoted by State Street

Skorpion is expected to be one of the world's top 10 zinc mines – and the lowest cost mine of its type – with an annual output of 150,000 tonnes of refined zinc. Its production will add about 5 per cent to Namibia's gross domestic product.

Woollett said yesterday that Reunion was not at present managing any exploration projects, this was being looked after by joint venture partners, and day to day management of the company was increasingly being handled from the London office.

Graham wanted to remain a resident of Zimbabwe and had offered to stand down as managing director. He will remain on the board and continue to oversee Reunion's interests in Zimbabwe and the Dunrobin gold mine in Zambia.

Foster, who is taking over immediately, is also a geologist who, after graduating from Scotland's University of St Andrew's in 1974, worked for De Beers, the South African diamond giant, in Botswana, Congo (formerly Zaire), Angola and Sierra Leone. In 1984 he completed an MBA at London Business School before setting up Centurion Mining, a UK-based company that operated some small underground gold mines in South Africa. He joined Reunion in May 1995 and became a director the following November.

Kenneth Gooding, London

Moving places

● The Bank of Bermuda (New York) has appointed **Drew Douglas** business development manager, North America. He will be responsible for managing the business development initiatives of the Bank's corporate trust services. Previously, he served as a relationship manager at Bank of Bermuda Ltd in Bermuda.

● **John Fiore** (pictured) has been named chief information officer and head of State Street Corporation's information technology group. He succeeds James MacDonald. Fiore, who joined State Street in 1992, most recently was chief information officer for State Street Global Advisors.

● The New Zealand Dairy Board, owner of the UK butter brand Anchor, has appointed **Fernando Guerra**, currently managing director of Anchor Foods and the New Zealand Dairy Board's global category director for yellow fats, managing director of all consumer dairy operations of an extended Europe.

● IMS Health has elected **Victoria Fash**, currently president and chief operating officer, chief executive of the corporation. Fash, 48, succeeds Robert Weissman, 58, who continues as chairman of the board.

● Ispat International has promoted **Johannes Sittard**, 55, to president and chief operating officer of Ispat International, from his earlier position of chief operating officer. Mittal has also appointed **Robert Darnall** president and chief executive of Ispat North America. This is a new appointment, which was expected to arise on the completion of Darnall's responsibilities at Inland Steel Industries, following the sale of Inland Steel Company to Ispat International in July.

● Australia and New Zealand Banking Group has appointed **Alison Watkins** head of group strategy. She was previously with consultancy group McKinsey & Co.

● Hang Seng Bank has appointed **Simon Penney** a director of the bank, replacing retiring director **John Strickland**. Penney is chief financial officer of Hongkong and Shanghai Banking Corporation, while Strickland is currently HSBC chairman.

● Hasbro, the world's second-largest toy maker, has named Quaker State's chief executive and chairman **Herbert Baum**, 62, its new president and chief operating officer.

● Andersen Consulting Espana has appointed a new board after becoming a limited company. **Pedro Navarra** has been appointed chairman and **Carlos Vidal** is managing director. There are another 10 partners on the board. Navarra will head financial services for Europe, Latin America and South Africa. Vidal will be responsible for Spain, Italy, Portugal, Greece and Latin America.

● Global Industrial Technologies has named **Rawles Fulgham** chairman and chief executive, **Graham Adelman** president and chief operating officer and **Alfred Williams** chief financial officer and senior vice-president. Fulgham had been elected chairman and appointed acting chief executive and president earlier this year.

● German automobile maker BMW has appointed **Felix Herrnberger** president of BMW Asia. Herrnberger, 50, was previously area manager of sales and marketing at BMW headquarters in Munich. He will replace **Kay Segler** who will assume a senior management job at BMW in Munich.

● British Petroleum has appointed **Greg Bourne** regional director for the company's Australian and New Zealand operations. Bourne, previously BP's regional director for Latin America, succeeds **Ron McGimpsey** who will become chief administrative officer for BP Amoco in the US.

● The European Community Shipowners' Association has appointed AP Moeller Group's *Knud Pontoppidan* its new president, succeeding Brian Kerr. Pontoppidan is currently vice-chairman of the Danish Shipowner's Association and chairman on Maritime Transport at the International Chamber of Commerce.

● Micro Focus has appointed **Ken Sexton** chief financial officer. Sexton was formerly chief financial officer of Intersolv, which was recently acquired by Micro Focus. He replaces Rick Van Hoesen, who becomes general manager of the company's largest business unit, Application Development Solutions.

● **Gary Titterton** has been appointed president of DMB&B Asia-Pacific. He was previously executive vice-president, Asia-Pacific, McCann-Erickson.

● United Distillers and Vintners, the spirits and wine division of Diageo, has appointed **John Philips** to the new position of president, UDV Wine Group. Philips, 41, will be based in San Francisco and will report to London-based Jack Keenan, UDV's chief executive. Philips is currently managing director for UDV's Northern Cone region of South America.

● International Flavors & Fragrances has promoted **Nicolas Mirzayantz** to vice-president, Europe, Africa and the Middle East and commercial and creative director of its subsidiary International Flavors & Fragrances (France). He joined IFF France in 1989 and was promoted to vice-president (IFF-US) in 1996. **Henry van Gelder**, IFF France managing director, has left the company and **Carlos-Alberto Lobbosco**, vice-president, will become managing director of IFF France.

هكذا من الاصل


Dartington alumni: 'The Sleeping Fool' by Cecil Collins; and a stoneware with iron glaze tile, c.1925, by Bernard Leach

The importance of painterly relationships

William Packer on an exhibition which looks at artists connected both with west Cornwall and three influential art schools during the 1930s-1950s

Art Education is a vexed and vexing matter, most especially at the higher levels. Many wonder how something apparently so subjective can be taught at all or, even if it can, why on earth it should be. Certainly, for the last 30 years Britain's art schools have been subject to constant financial attrition by government ministries, and to administrative assault by parent colleges and polytechnics (now universities) charged with their support – even while paying lip-service to their educational excellence and importance.

Within the British art world itself, things have been little better and no less contradictory, with constant ideological battles fought between theory, practice and technique. Even while priding ourselves on a system of art schools that was second to none, we have seen it committed to fundamental change and, some might say, eventual withering and decay.

These are important matters, and certainly worth a public airing in a public institution, if only by implication. The exhibition now at the Tate at St Ives, which looks at the several and distinct relationships informally established between three particular schools and artists associated with west Cornwall from the 1930s to the 50s, is therefore both timely and welcome. And if the exhibition tends to assume, uncritically, that whatever the change represented or advance proposed was necessary and right, that is but the established liberal reflex. That said, however, a full and disinterested examination of art education as it has been practised and developed in England and Scotland over the past 100 years would be salutary.

The three colleges concerned here are Dartington Hall in Devon, the Bath Academy of Art at Corsham Court, and the Department of Art at Leeds University. Dartington, which finally closed in 1996 amid some controversy, had been set up in the mid-1920s by Dorothy Elmhirst, a rich American widow, and her English second husband, Leonard.

The emphasis from the start was very much on craft and practice, which is ironical in the present state of things. As Breon O'Casey, a sometime pupil, puts it: "the purpose of a school is to hand on knowledge gained with so much difficulty by one's forebears", and even now, who would quarrel with that? It is not by chance that O'Casey is himself an artist in the broadest sense, and as exquisite a craftsman as any we have.

Bernard Leach, who had only a little earlier established his own pottery at St Ives, was soon closely involved with Dartington, insisting upon the importance of pottery, advising the Elmhirsts on the building-up of a collection of pots, both ancient and contemporary, for the benefit of the students, and putting them directly in touch with artists and craftsmen such as Shoji Hamada and Ben Nicholson.

Other artists who subsequently came to teach at Dartington were the American abstract painter, Mark Tobey, in the 1930s, with his strong oriental influence; and in the 1940s, the mystical symbolist painter and poet, Cecil Collins, and his wife Elizabeth. Again with Collins the irony is palpable: he finished his teaching career at the Central School in London in the 1980s isolated and embattled against the trend of modern orthodoxy.

The connection with Leeds was first made shortly before the war, with the move to St Ives of Barbara Hepworth, her husband, Ben Nicholson, and their young family. She had studied at Leeds College of Art some 20 years before, a year ahead of Henry Moore. The young Patrick Heron, too, though already settled at St Ives, had Yorkshire connections through his father's family.

But it was the endowment in the early 1950s of the Gregory Fellowships at Leeds University that made the connection a general habit, with young artists such as Terry Frost, Alan Davie and Trevor Bell being drawn north. They, in their turn, drew to the south and west the artists they befriended there, such as Hubert Dalwood and Victor Pasmore.

Dalwood, at the Art School, and Pasmore, a visiting tutor from Newcastle, were among the more committed apologists for Basic Design, which led directly to the root-and-branch restructuring of the art schools in the 1960s, to which Heron would then lend his own not unpersuasive support. Here was a significant concentration of influence.

As for Corsham, also now closed, it is revealed here as a unique and enlightened place under its long-time principal, Clifford Ellis, through the post-war decades, at once respectful of the established disciplines and embracing the radical and new.

Ellis, who had taught at Dartington, maintained the central position of the crafts in direct relation to painting and sculpture. But rather more important was his absolute commitment to the principle of the practising artist teaching by presence and example, not as a substitute for the taught courses, but complementary to them. It would seem to be the common-sensical best of both worlds, and who could quarrel with that? Once an artist could keep himself, and even a family, on two or three days' teaching a week; but these days the budgets have all but gone, the pay is hardly worth the effort, and the Ellis principle but a pious memory. The full list of such visitors to Corsham in his time would read as an effective roll-call of Modern British Art. Here a handful must stand for all, but how good to see the young Gillian Ayres, the under-rated Adrian Heath and the splendid, if all but forgotten Henry Mundy among the chosen.

Partnerships and Practice: Tate Gallery, Porthmeor Beach, St Ives, Cornwall, until April 11: supported by the Cornish Tourist Board, and Great Western.

Musical wonders of the west

Michael Tilson Thomas has galvanised the SFSO. **Timothy Pfaff** looks forward to their European tour

Michael Tilson Thomas has been the first music director to put an indelible personal stamp on the San Francisco Symphony since Pierre Monteux a half-century ago. The night his appointment was announced, in 1993, he led the orchestra he had guest-conducted for 20 years in a galvanic performance of Stravinsky's *Le Sacre du printemps*, heralding the changes he has since wrought on two decades of orchestra-building by his predecessors, Edo de Waart and Herbert Blomstedt. Even if he has never proved able to work quite the same magic on *The Rite* since then, that first promise has been substantially fulfilled.

The San Francisco public buys him in every way, including at the box office; and, although the city has, in the same period, had an equally starry mayor, a semi-serious joke has it that MTT could unseat him. As important, Tilson Thomas has won the favour of the local and national press – which now regularly taunts America's Big Five orchestras with the wonders being wrought "out west" by Tilson Thomas and the Los Angeles Philharmonic's Esa-Pekka Salonen. And those of us who have been weekly reviewers for the last quarter-century set out for Davies Hall with a lighter step almost any night Tilson Thomas has the stick.

That said, it has been an odd first half of the season, particularly in the wake of last summer's triumphant Mahler celebration. Tilson Thomas's trenchant advocacy of American music in virtually all forms appropriate for orchestral musicians – arguably his greatest gift to the ensemble and its audience – bore rich fruits in a far more substantial than usual opening concert, built around the Gershwin centennial. Tilson Thomas's sensibility is ideally suited to Gershwin's melding of myriad forms and idioms in a slightly brittle orchestral fabric. Add his sure-fire penchant for show business, and the result was a series of thrilling concerts – which are already preserved on a simultaneously released two-CD set from BMG.

But the season's first subscription concert revealed the underside of the Tilson Thomas enterprise. A short piece of little-known Ives, *From the Steeples to the Mountains* – brilliantly executed by the brass section that remains Blomstedt's great legacy to the orchestra – was followed by a Henry Cowell piece, *Music 1957*, of little inherent interest. Most dispiritingly, particularly after the acuity of last summer's Mahler, was a sloppy Mahler First Symphony that lacked formal coherence even more grievously than it did smart or integrated playing. Tilson Thomas never had problems getting under the skin of a piece; getting on top of it can sometimes prove more problematic.

Tilson Thomas's advocacy of American music in virtually all forms appropriate for orchestral musicians bore rich fruits

The challenges this season have included tackling the conspicuous instability of personnel. In the single most important act of orchestra-building in more than two decades, Tilson Thomas courageously declined to renew the contract of Raymond Kobler, whom Edo de Waart had brought on board as concertmaster but who never cut the mustard, particularly on solo outings. Several prominent contenders for the post have "auditioned" in concert – most promisingly Jorja Fleezanis, a former associate concertmaster whose performance of the Sessions concerto some years ago still lingers in the memory.

A similarly grievous problem is that of the principal cello chair. Both the principal and associate principal cellists are absent on medical grounds, and the section has lost its identifying sound and its position as anchor of the strings. Offsetting that, over his four seasons Tilson Thomas has worked wonders at fortifying the high string sound and integrating the strings overall.

Other personnel changes concern the orchestra's administration. Brent Assink, a former general manager, has been announced as the successor to the executive director of 21 years, Peter Pastreich – who, despite a famously abrasive manner and fraught relations with the musicians, has kept the orchestra in sound financial shape and was reputedly savvy in countering Tilson Thomas's artistic impulsiveness. Weeks after that it was announced that Paul Meecham, former general manager of the London Sinfonietta and San Francisco's general manager since only October 1997, is moving to the New York Philharmonic in March.

Given all that, it's been remarkably "business as usual" in the hall. The best playing, which remains exciting indeed, seems reserved for contemporary music, most recently that of John Adams in the West Coast premiere of his *Century Rolls* piano concerto with Emanuel Ax. While the orchestra generally plays at peak only for its music director, its single greatest performance so far this season has been a blistering, acute account of Boulez's *Notations* under Sylvain Cambreling.

Another notable event was the world premiere last month of Robin Holloway's *Clarissa Sequence*. This is a significant reworking of music from the opera, rather than the excerpts Tilson Thomas performed early in his tenure with the London Symphony Orchestra. Despite the last-minute cancellation of the soloist, Andrea Gruber, and Holloway's subsequent excision of the vocal part in the first of three movements, the 25-minute piece emerged as a *tour de force* of symphonic story-telling, dispatched by an orchestra only too happy to show off.

More troubling was a Brahms Fourth Symphony that, like the Mahler First, lacked both surface polish and architectural integrity. Like most of Tilson Thomas's Brahms, it also missed the composer's distinctive rhythmic profile – despite this conductor's wonted ability to dispatch far more difficult polyrhythms elsewhere. In standard repertoire, nothing this season has topped Tilson Thomas's Tchaikovsky Second Symphony. Hard on the heels of some breathless scampering after Martha Argerich in the Prokofiev Third Concerto (in itself surely no mean feat), the conductor settled into a superbly balanced, sonically luscious, eminently right "Little Russian" – the latest in a truly remarkable series of Tchaikovsky symphonies, an acknowledged Tilson Thomas speciality but one in which he continues to grow.

One hopes Tilson Thomas's absence from the Davies Hall podium over the year-end has brought some rest to a music director who visibly needs it. Concerts since then will have drilled the orchestra for its European tour, bringing time-tested repertoire well suited to Tilson Thomas's talents: more Prokofiev by way of the Fifth Symphony, and what he and San Francisco do best – namely Ives, with the masterly *Three Places in New England*.

Michael Tilson Thomas and the San Francisco Symphony Orchestra begin their 14-city European tour at Dublin's National Concert Hall on January 20 and London's Barbican Hall on January 21.

INTERNATIONAL Arts Guide

AMSTERDAM

EXHIBITION
Rijksmuseum
Tel: 31-20-673 2121
The Festival of Lithography: celebration of the 200th anniversary of the discovery of lithography. The exhibition consists of works from the collection, including lithographs by Toulouse-Lautrec, works by Cézanne, Manet, and Dutch artists including Van Gogh; to Jan 10

CHICAGO

EXHIBITION
Art Institute Of Chicago
Tel: 1-312-443 3600
www.artic.edu
Mary Cassatt: Modern Woman. 125 paintings, drawings and prints by the only American invited to exhibit in the Impressionist exhibitions in Paris; to Jan 10

COLOGNE

OPERA
Oper der Stadt
Tel: 49-221-221 8240
Die Vögel: first modern staging for Walter Braunfels's opera. Premiered in 1920, it was banned by the Nazis and largely forgotten until a recent recording. This production is conducted by Bruno Weill and staged by David Mouchtar-Samorai; Jan 8

COPENHAGEN

EXHIBITION
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
Joan Miró: major retrospective comprising 140 paintings, drawings and sculptures, including works borrowed from the artist's family since the exhibition was shown in Stockholm over the summer; to Jan 10

EDINBURGH

EXHIBITION
National Gallery of Scotland
Tel: 44-131-624 6200
Turner Watercolours: shown every January for 90 years, this magnificent selection of 38 watercolours was bequeathed by the Victorian collector Henry Vaughan in 1900; to Jan 31

HAMBURG

EXHIBITION
Kunsthalle
Kandinsky, Chagall, Malevich and the Russian Avant-Garde: show tracing the art movements between the Russian revolutions of 1905 and 1918, and focusing on attempts by artists to fuse aspects of folk culture with Western modernism. Many of the 100 works on display are on loan from Russian museums; to Jan 10

HOUSTON

EXHIBITION
Museum of Fine Arts, Houston
Tel: 1-713-639 7750
www.mfah.org
A Grand Design: The Art of the Victoria and Albert Museum. North American tour of selected objects from the V&A's collection. The exhibition will travel to San Francisco later this year, before returning to London where it will be displayed in the V&A itself; to Jan 10

LONDON

EXHIBITION
Victoria and Albert Museum
Tel: 44-171-938 8500
Aubrey Beardsley: more than 200 drawings, prints, posters and books created during the brief period of the artist's fame. The exhibition marks the centenary of Beardsley's tragically early death, aged 25; to Jan 10

THEATRE
Albery
Tel: 44-171-876 1115
Mr Puntila and his man Matti: Kathryn Hunter's production of Brecht's satirical comedy moves from its October run in the Almeida Theatre to the West End. Comic duo Sean Foley and Hamish McColl play the title roles; Jan 5, 6, 7, 8, 9

National Theatre
Tel: 44-171-928 2252
Betrayal: by Harold Pinter. Trevor Nunn directs Pinter's 1978 play, with a cast including Anthony Calf and Imogen Stubbs; Lyttleton Theatre; Jan 8, 9, 11, 12

LOS ANGELES

OPERA
LA Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Madama Butterfly: by Puccini. Conducted by Marco Guidarini and directed by Christopher Harlan. The cast includes Yoko Watanabe, Richard Leech and John Atkins; Jan 10

NEW YORK

EXHIBITIONS
Guggenheim Museum SoHo
Tel: 1-212-423 3500
www.guggenheim.org
Premises: Invested Spaces in Visual Arts, Architecture & Design from France, 1958-1998. Exploration of the different ways in which artists have engaged with space. Display ranges across installation, film, video, photography and architecture. Includes works by Yves Klein, Le Corbusier, Louise Bourgeois and Sophie Calle; to Jan 10

Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
The Nature of Islamic Ornament, Part II: Vegetal Patterns. Second in a four-part series on Islamic ornament from the 9th to the 18th century. Includes rare brocades and carpets; to Jan 10

Pierpont Morgan Library
Tel: 1-212-685 0008
Master Drawings from The State Hermitage Museum, St. Petersburg, and The Pushkin State Museum of Fine Arts, Moscow. 120 European drawings dating from the 15th to the 20th centuries, some of which have never before been exhibited outside Russia. Includes works by Rembrandt and Dürer, with particular emphasis on the modernists Matisse and Picasso; to Jan 8

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Die Fledermaus: by J. Strauss. Revival conducted by Patrick Summers. Cast includes Carol Vaness, Jochen Kowalski and Bo Skovhus; Jan 6, 9

PARIS

EXHIBITION
Grand Palais
Tel: 33-1-4413 1730
Lorenzo Lotto: Rediscovered Master of the Renaissance. 50 paintings, many of them on loan from churches and museums in Italy; to Jan 11

PRAGUE

DANCE
National Theatre of Prague
Tel: 420-2-2108 0131
www.anet.cz/nd
The Nutcracker: by Tchaikovsky, in a staging by Russian choreographer Jurij Grigorovic, with sets and costumes by Simon Virsaladze; Jan 5

THEATRE
National Theatre of Prague
Tel: 420-2-2108 0131
www.anet.cz/nd
The Servant of Two Masters: by Carlo Goldoni. Directed by Ivan Rajmont; Jan 11

ROTTERDAM

EXHIBITION
Kunsthal
Tel: 31-10-440 0300
Up to the bare bones: Human remains in museums. An estimated hundred thousand human beings find their last resting place in Dutch museums, whether in the form of mummies, skulls, skeletons, reliquaries or otherwise. This exhibition is the first to address this phenomenon directly, presenting exhibits from medical, sacral, ethnographical and archaeological collections; to Jan 10

SAN FRANCISCO

CONCERTS
Davies Symphony Hall
Tel: 1-415-864 6000
www.sfsymphony.org
● New York Philharmonic: conducted by Kurt Masur in works by Beethoven and Shostakovich; Jan 10
● San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Mendelssohn, Barber and Mahler. With violin soloist Gil Shaham; Jan 6, 7, 8, 9, 10

WASHINGTON

OPERA
Washington Opera, Kennedy Center
Tel: 1-202-295 2400
www.dc-opera.org
Die Entführung aus dem Serail: by Mozart. L.A. Opera production by Michael Hampe, conducted here by Heinz Fricke; Eisenhower Theater; Jan 7, 9, 11

■ TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:

06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:** 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

PETER MARTIN

On the cards

Manufacturers and internet companies face a tough year. But Korea's chaebols could stage a surprising recovery

Here are five fearless forecasts for 1999. Cut them out, tuck them away, and see how many come true in a year's time.

● **Many of 1998's best-performing internet stocks will end the year worthless.** This is likely to happen even if the overall stock market has a healthy year. It's built into the way these market valuations are achieved. Putting money into businesses which seek to create and dominate new areas of economic activity is not like conventional investment. Either the company will be astonishingly successful – a low but not negligible probability – or it will be largely worthless. It is almost impossible to tell in advance which of these outcomes will apply.

For any individual internet stock, an astronomical valuation is not absurd if you are prepared to make the leap of faith.

For internet stocks as a group, however, the collective valuation is clearly nonsense, since only one competitor in each market segment can achieve the dominance on which all are being valued. This is the year that reasoning will sink in.

● **At least one of 1998's big mergers will succumb to management crisis.** The most obvious threat is cultural differences where the merging companies come from widely different national backgrounds. DaimlerChrysler, Hoechst/Rhône Poulenc, Astra/Zeneca, and the coming European Aerospace and Defence company all fall into this category. Expect at least one of them to have some bumpy patches in 1999.

But cultural differences are sometimes just as acute within national boundaries, especially where they overlap with struggles for power. Just because the former chief executives have agreed to share roles does not mean they have really adjusted to sharing power. The struggle is most acute where the roles have not been precisely defined in advance. Notoriously, the Citigroup merger leaves this giant financial institution with a co-chairmen and chief executives. It will be surprising if that cosy agreement lasts its full term.

● **This is the year Microsoft will look vulnerable for the first time.** Not because of the justice department's antitrust lawsuit, which will leave the company's image battered but its business largely unaffected. Nor because of short-term operating issues - the next release of the Microsoft Office suite of programs, due out in the spring, will yield the company another huge surge of revenue. But because the computer landscape is changing in ways that Microsoft cannot control.

As corporate computer departments emerge from their Year 2000 planning blight, the future they are thinking about will include new types of information appliance, big and small, and new rivals to Microsoft omnipresence. These include the Palm operating system from 3Com, the Symbian joint venture from Psion, Ericsson, Nokia and Motorola, the Linux "freeware" version of Unix, Oracle and Sun's alliance in database server systems, America Online's tightening grasp on the consumer internet market and so on.

Each of these is a narrow threat, and some are obscure. But together, they chisel away at the assumption that the future is Microsoft's to shape. The lawsuit – by showing Bill Gates in an unflattering light – underscores this shift in attitudes, and thus paradoxically makes the legal outcome less important.

● **The typical manufacturing company will end the year with lower unit revenues than it began.** It will be the first year of across-the-board deflation for the developed world's manufacturers in living memory. The drop in prices will only be a small one, but the change in psychology will be acute, particularly in continental Europe where it will be widely – and erroneously – blamed on the coming of the euro.

The most immediate consequences will be a fresh interest in cost-saving and downsizing, often in companies that have only just finished the last round of cuts, and a host of trade complaints. Suddenly, appealing to government alleging unfair foreign competition won't be a badge of shame, it will be a routine action. There will be a lot of three-way fights between the US, Europe and east Asia.

But the more far-sighted companies will emulate General Electric, and seek to wrap a cosy blanket of services around manufactured goods to protect them against the market chill. Expect the GE buzzword "product services", which describes these engineering-related activities, to enter common use.

● **Korea's big companies will make an astonishing recovery.** That is, they will achieve remarkable results at the operating level, intensifying the pricing pressure mentioned earlier. At the financial, political and family level, however, they will still be struggling at year-end, unable to reconcile the interests of their stakeholders.

It will eventually become clear that Korean stocks were, at some point, one of the world's great buying opportunities. But by the time that moment arrives, it will already be too late to participate. The iron law of hindsight will apply with its customary merciless efficiency. Whatever else it may bring by way of excitement, 1999 will in this respect be no different from any previous year.

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LETTERS TO THE EDITOR

Common withholding tax presents a great threat to the City of London

From Mr Howard Flight, MP

Sir, I suggest there has been a failure by both the City and Westminster to appreciate and understand both the reasons why a common withholding tax makes great sense to continental Europe, but also poses an enormous threat to the City of London.

Continental Europe suffers structural unemployment because labour is over-taxed with 40 per cent to 50 per cent add-on employment costs, where returns from capital are relatively undertaxed, particularly as the result of widespread tax evasion on interest income.

The German DM400bn in Luxembourg is well known but there is widespread reluctance throughout continental Europe by individuals to declare and pay tax on their interest income. The UK's proposals for banks in all jurisdictions to have to report interest paid to individuals to their relevant tax authorities is wholly impractical, compared with a common withholding tax, given the numbers involved.

For the City of London, the withholding tax focus of both the Corporation and others has been on the London-based international bond market. The far bigger threat of 20 per cent EU withholding tax is to London's position as the leading banking capital with the related foreign exchange and derivatives businesses.

While UK law provides, in principle, for a 20 per cent withholding tax, interest paid by one bank to another bank, whether resident or non-resident, is exempt, and non-resident individuals and companies can also receive interest gross from UK banks. These exemptions have enabled the international bond markets to develop in London, following the introduction of US equalisation tax in the 1960s.

The understandable continental European objective, from its perspective, is a common withholding tax on all interest payments covering bank as well as bond interest and paid to both residents and non-residents of the EU by institutions based within the EU. A partial withholding tax would miss the objective and be subject to widespread avoidance and evasion. Much of the German undisclosed interest income from Luxembourg represents bank rather than bond interest. Several Italian banks have already written to their non-resident depositors, advising they will be stopping withholding tax on interest payments in 1999.

If the UK,London were subject to a common EU withholding tax, on the payment of all such bank interest to residents and non-residents, what is at peril is its entire position as the world's main banking capital.

The deposits would move to other financial centres such as Hong Kong and New York where interest equalisation tax no longer applies, and with them would move the related foreign exchange and derivatives business.

Howard Flight,
(chairman,
Investec Guinness Flight)
House of Commons,
London SW1A 0AA, UK

Sorting out the crackers from the tech stock turkeys

From Mr Geoff Miller.

Sir, I read Nicky Samengo-Turner's letter (December 29) with dismay.

All too often the backers of high-tech companies complain that in this country there is not a sufficiently liquid market for tech stocks to allow venture capitalists to exit their investment. I am totally in favour of technology stocks but would make two points:

First, there is a very good market for quality technology companies that reach the milestones they set themselves and deliver on promises. Sage seems to have developed very nicely, Colt Telecom does not seem to have had a problem in finding backers. The problem is that too many reach the market too soon and fail to deliver on promises.

Second, many venture capital companies have sought listings not to provide capital for project development but often as an exit for original backers. Fund managers are perfectly willing to provide backing for a project but because of the long-term nature of developing technology, companies should not expect to float at a hugely inflated value.

There is also a question of the point at which a float is appropriate. Too many flotations of technology related companies have, in my view, happened too early. There must be the prospect of progress or there will be no basis for valuation of a company.

Don't underestimate the appetite for technology stocks, but try to bring a few crackers to the market and not too many turkeys.

Geoff Miller,
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Never mind the quality – who is in charge?

From Mr Peter Stannack.

Sir, I found Tony Jackson's call for a "return to standards" ("New style quality is just a fiddle", December 29) in quality sad and funny at the same time.

The word "quality" has always had a multiplicity of meanings, as pointed out by David Garvin in the Harvard Business Review during the 1980s.

I have been present at many meetings between customers and suppliers where the word "quality" was bandied about freely, only to find subsequently that both parties had meant completely different things when they used the term.

This lack of shared meaning is only one symptom of a marketplace where reference points have been lost. Of course, lack of a common reference point can give potential advantage to both buyers and sellers.

"Quality" can be used to preserve the sort of ambiguity that the article bemoans, leaving the door open for both pre and post purchase manoeuvres.

What is more worrying is that Mr Jackson reinforces the illusion that "customers are in charge" in today's markets.

As the article inadvertently points out, customers in today's markets have no clear objective (even quality). Without clear objectives no process can be controlled. This means that no-one is "in charge" in today's markets (a fact that is clearly demonstrated by market behaviour).

If Mr Jackson thinks that quality is just a fiddle, perhaps he would like to think about the term "cost", and just what the hell that means.

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Cultural resolution

John Lloyd visits a Skoda factory in the Czech Republic and finds this former communist industrial icon thriving under foreign ownership

10 years after

A word that crops up time and time again in central European conversations is culture. Not culture in the sense of art, but in the sense of a democratic political culture, capable of settling differences by negotiation, creating an elite that observes limits to its power and greed, and developing institutions that are more than just façades.

There is another way of using culture that is particularly Czech: it refers to the industrial culture of the place that is, if not as old as Britain's, certainly long-established by eastern European standards.

Take Mlada Boleslav, the town where Skodas have been made for most of this century. Ten years' ago, the car's unreliability made it the butt of endless Skoda jokes abroad, even though the Czech company was probably the best of the former Comecon car producers. Not any longer.

In the J.D. Power survey of customer satisfaction in the UK last year, Skoda came top. Foreign investment is part of the answer. In 1991, Volkswagen took a 30 per cent share in the company, increasing its stake to 70 per cent in 1995. VW has built a new plant at Mlada Boleslav which does not look unpleasant to work in. It produces the Felicia and Octavia, two models that command more than half the domestic market, and which are making inroads in the west.

Wilfried Bockelmann, a VW man who heads the research and design department at Skoda, says: "The training we do here is quite different from the training we do in Portugal [where VW also has a subsidiary]. Skoda was world class to the end of the 1930s; it was producing rally winners and superb, beautiful cars. Even in the communist era they came up with original solutions, because they had a good deal of technical freedom until the mid-1950s."

Mr Bockelmann says VW would not have invested in Mlada Boleslav if the industrial culture had not been already present. "It's a town that has been dedicated to manufacturing cars for nearly 100 years," he says. "You can't just create this technical memory. It is where your grandfather and great-grandfather worked at making cars."

Mlada Boleslav is not highly automated. Along the quiet assembly lines, men and women manoeuvre body parts into position, weld metal and screw down components. The Skoda lines are labour intensive, reflecting the low cost of labour, even though Skoda says it pays 40 per cent above the average Czech wage.

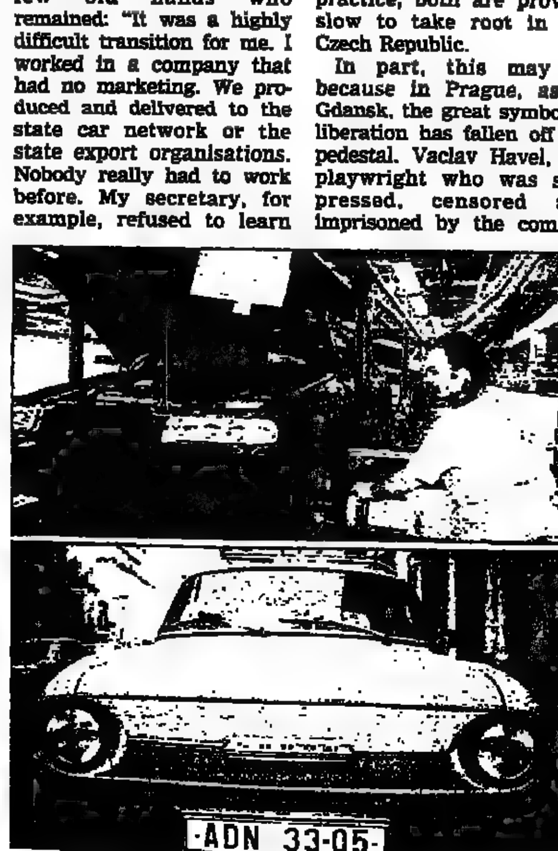
With this combination – an industrial culture and low wages – the company can expect to make cheap, good cars for some years. VW has replaced most of Skoda's management. Dr Lubos Kopecky, director of marketing for central and eastern Europe, is one of the few old hands who remained: "It was a highly difficult transition for me. I worked in a company that had no marketing. We produced and delivered to the state car network or the state export organisations. Nobody really had to work before. My secretary, for example, refused to learn about computers: now she can't live without them. "You cannot underestimate how little we knew about the outside world," he adds. "How unaware we were of multinational society."

I remembered, while talking to Mr Kopecky in the canteen next to the Skoda museum, visiting the Skoda plant in 1990 and talking to distraught, monosyllabic executives whose party cards had suddenly changed from being a ticket to privilege to a mark of Cain. The executives could see that their days were numbered.

VW has detected the existence of a buried culture and exhumed it; but this is not yet the general trend. Most Czech engineering remains substantially unmodernised and under state control.

Vaclav Klaus, a former prime minister and radical free marketeer, was slow to privatise Czech industry. His socialist successor, Milos Zeman, has much work to do. There is no mainstream alternative to either capitalism or democracy – but in practice, both are proving slow to take root in the Czech Republic.

In part, this may be because in Prague, as in Gdansk, the great symbol of liberation has fallen off his pedestal. Vaclav Havel, the playwright who was suppressed, censored and imprisoned by the communists, was the uncontested leader of the "velvet revolution". No central European dissident expressed better, in samizdat essays of great humanity and lucidity, the demoralising experience of living under an omnipresent authoritarian regime.



No joke: the Mlada Boleslav factory and finished product

His reputation, domestically and internationally, was great. But he was wholly unprepared for political office when he became president after the collapse of communist rule.

Mr Havel has been sick, he has remarried after the death of Olga, his wife, and he is suffering from the unpopularity of his second wife, a high-living actress. More fundamentally, says Jan Urban, a former comrade, the social democratic ideals expressed by Mr Havel, which often acted as a counterweight to the neo-liberal policies of Mr Klaus, his prime minister, are now voiced by a Socialist party in power. Mr Havel no longer needs to hold a banner of freedom: it flies securely over the presidential palace.

The disillusionment with freedom's leaders is also sometimes vented against the population itself. Senator Michal Zantovsky, a former spokesman for President Vaclav Havel, says: "The largest legacy of the communist period is a lack of moral sense. Communism bred a cynical sense of all politics.

Jiri Dienstbier, who was the first anti-communist foreign secretary of the Czech Republic, says: "I thought that people would think for themselves after 50 years of communism. But it is often not so."

"Havel and [Lech] Walesa saw politics, naturally, as a cause," Mr Urban says. "They never understood that it is a profession, at which some people who are not warriors for a cause are good and some who are warriors are bad."

Perhaps this is normal. If, to quote playwright John Osborne, there are "no good brave causes left", that is because the cause has been won and the culture can be renewed once more.

This is a continuing series. Articles on Hungary and Poland appeared on December 28 and 29 respectively.

هكذا من الاصل

COMMENT & ANALYSIS

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
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Tuesday January 5 1999

Bomb with a 360-day fuse

The inability of many, perhaps of most, computer systems to cope with the Year 2000 date change has so far been regarded chiefly as a technical problem. With less than a year left in which to modify systems and make contingency plans for the consequences of inevitable failures, it has clearly become a managerial and political issue.

There is simply too little time left to correct all the billions of lines of computer code worldwide which could be harbouring so-called "millennium bombs", the inability of computer systems to distinguish between the present and the next century. It is clear by now that the threat is real and serious. Many large companies have already suffered computer failures related to Year 2000 problems.

But the most exasperating feature of the millennium bomb is that nobody knows how much disruption could be caused. It is impossible to calculate how many processors are embedded in industrial machinery, and what proportion of them are vulnerable to the bomb. Nor is it known how seriously the problem is being taken in less developed countries with many computer systems but little money for repairs.

More worryingly, nobody has been able to establish a universal and credible test for whether computer systems understand the year 2000. Without such a measure, it is impossible to legislate for compliance. In the US companies have been asked to publish reports on their progress in tackling the problem. But the extent to which a company has completed its Year 2000 preparation is subjective. Much depends on the care with which it carried out its assessment of potential problems. There is plenty of evidence, moreover, that repairing old software introduces new errors which may cause the system to fail.

Even so, most of the world's larger companies are already spending heavily to defuse the bomb and are making customers and suppliers aware of the consequences of disruption to the supply chain.

The most likely scenario after January 1, 2000 is not apocalypse but a slow process of attrition in which small failures gradually accumulate until serious disorder occurs. The strain placed on public utilities by millennium celebrations in the world's biggest cities will do nothing to ease matters.

At this point, the only sensible strategy must be a combination of setting priorities and contingency planning. Managers must assume that there will be failures and prepare for them. But the peculiar nature of the bomb means it will have to be defused by persuasion rather than coercion. The world's politicians must demonstrate sensitive and clear-minded leadership if serious disruption and widespread alarm and dismay are to be avoided.

Asia's own bank

One of the many policy questions thrown up by the Asian crisis is whether the world needs regional development banks to complement the activities of the World Bank.

The Asian Development Bank has played an important role in providing additional finance, but the value of its other contributions is less clear.

The bank badly needs to assess this record in the light of the crisis. Not only is it about to install a new president to replace the retiring Mitsuo Sato. It also needs to plan for a capital increase. Tadao Chino, Mr Sato's successor, will have the job of selling this idea to a sometimes sceptical membership.

There will hardly be an enthusiastic response if Mr Chino's case rests simply on the ADB's ability to come up with bulk funds at times of crisis. If all that is required is access to the capital markets, an enlarged World Bank would be just as good and probably more efficient. To justify its request for more capital, the ADB must show expertise which only it commands.

The does not come easily. The organisation is hamstrung in terms of image-building by the natural reticence of many of its members and by the awkwardness of Japan, its most influential shareholder, in dealing with its neighbours.

Mr Sato did, rather slowly, begin the process of change. Both in seeking out innovative ways of financing infrastructure and in bringing a special Asian perspective to the international debate on development issues, he sought to give the ADB a particular stamp. But his achievements were limited by his innate caution, and the bank basically relied on leadership from Washington in addressing the Asian crisis.

Mr Chino needs to carry on the task more boldly, adding new skills in areas like policy surveillance, where the bank can provide an intimate, and therefore effective setting for the exercise of peer pressure. The establishment of effective regulatory institutions for the financial and utility sector will be another challenge, as Asia comes out of crisis. So is the development of new skills among its members in areas like competition policy.

But Mr Chino must also be a diplomat, carving out a special role for the bank without divorcing it from the mainstream Washington consensus. The breakdown of that consensus over the economic and financial problems of Asia helps in this respect. Yet the central difficulty remains. To survive, the ADB must be able to work with its bigger, global sister, but it must also have something of its own to offer. There is no point in just being a clone.

Charlie's chagrin

For a politician so jealous of publicity it must have been irksome for Gordon Brown, Britain's chancellor, to see his colourful press secretary commanding so many headlines in recent weeks. But now Charlie Whelan, long-time aide and confidant of Mr Brown, has announced his intention to leave the Treasury. When the messenger becomes the story it is time to depart. Yet for all the recent fuss, the chancellor did not want to lose Mr Whelan. His regrets are misplaced.

Some will blame this latest furore on the febrile atmosphere in the Westmister media village following the cabinet resignation of Peter Mandelson. Others may observe that there is a certain poetic justice when a government which puts so much faith in image-makers suffers such misfortunes at their hands. Yet Mr Whelan is also an important symbol of the politics of vanity and envy which have begun to disfigure Tony Blair's government.

Although he vigorously denies the charge, the chancellor's aide is blamed by many for leaking the financial information which led to Mr Mandelson's demise. Either way, Mr Whelan has long been an active agent in denigrating the chancellor's so-called cabinet enemies, Mr Mandelson prominent among them.

In a world divided between Brownites and Blairites, his role was not to present the government's economic policy but to promote the personal ambitions of Mr Brown. In that, Mr Whelan was his master's voice. And his total loyalty was rewarded, until now, with the chancellor's political protection.

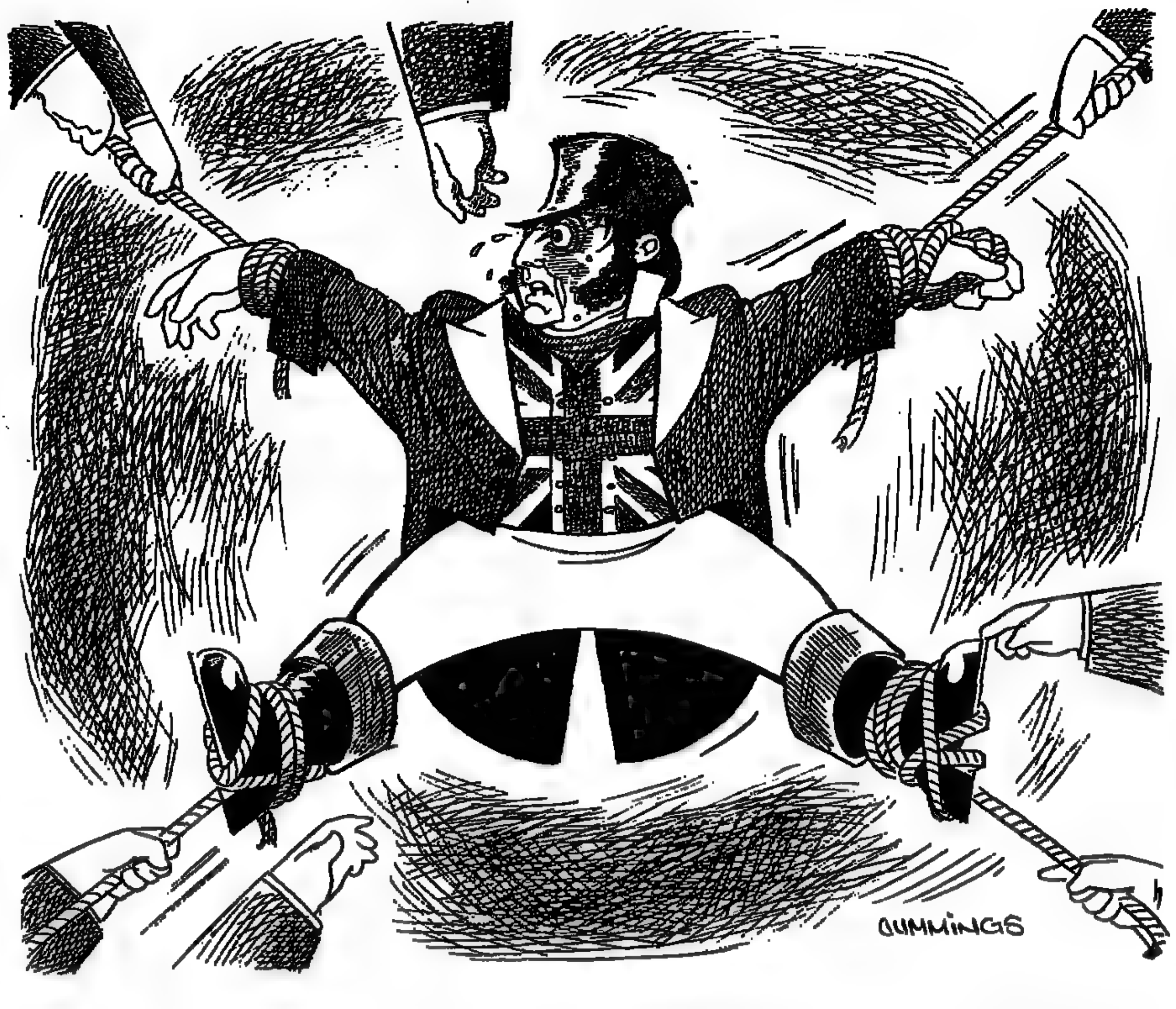
The irony is that this faithful servant has tarnished rather than burnished Mr Brown's image. The chancellor can claim a real achievement as the intellectual architect of New Labour's economic strategy. Yet he is all too often seen as a politician smouldering with resentment at his failure to become Labour leader and determined to lead his own faction within the party.

He is not alone in such vanity. The recent effort of John Prescott, the deputy prime minister, to exploit Mr Mandelson's departures by stirring the embers of Old Labour smacks of another triumph of ego over good judgement. Mr Prescott, it seems, felt the need to remind us that he too is an important politician.

Yet it no accident that the ministers whose reputations have prospered over the past 18 months are those who have quietly got on with the job of governing. Jack Straw at the home office, David Blunkett at education and Frank Dobson at health, to name three, have offered policy without the swagger. As he says goodbye to Mr Whelan, Mr Brown should take the opportunity to do likewise.

Stretched to the limit

In 1999, Britain begins a radical experiment in devolving power to the nations that make up the United Kingdom. **Brian Groom** and **Andrew Parker** ask where it will all end



Reshaping the UK

"I suspect the trouble may be terminal. Britishness has passed from being one of the soundest properties on the international ideas-mart (liberal, trustworthy, decent, first among equals, Mother of this-and-that, progressive haven etc) to being a downmarket left-over - not quite a slum, but heading in that direction."

Thus Tom Nairn, Scotland's leading nationalist intellectual, put his case bluntly to the Commons Scottish affairs committee. The government's crash programme of constitutional reform, he suggested, had come too late to save the crumbling United Kingdom of Great Britain and Northern Ireland.

Mr Nairn predicted the UK would rapidly become "an archipelago-system of effectively independent polities, meeting regularly to discuss or decide issues of common interest". Scotland would achieve *de facto* independence after 2000, he predicted, and *de jure* independence by 2010.

Other crystal ball-gazers dispute his vision, or at least his timetable, but few doubt the momentous nature of the changes about to be unleashed. Even if devolution, as the process is known in the UK, does not tear the union apart, it will transform the country irreversibly.

There is no turning back. For better or worse, 1999 is the year in which devolution moves from the drawing board to reality.

On May 6, elections will be held for a devolved Scottish parliament and a Welsh assembly. A Northern Ireland assembly is already being created.

From April 1, eight English regions will have development agencies, overseen by regional chambers of councillors and business people. Next year London will have a directly elected mayor and regional authority.

Tony Blair, UK prime minister, claims his government's constitutional plans are "the biggest programme of change to democracy ever proposed". Timid on other matters, he leads a radical, reforming government on this.

Eleven constitutional bills were passed in the first parliamentary session, including incorporation of the European Convention on Human Rights into UK law. Still on the agenda are the reform of the House of Lords, the unelected upper chamber of parliament, freedom of information, and the national electoral system.

The reforms aim to bring government closer to the people. The result may appear lop-sided – tax-raising powers for Scotland, law-making powers for Scotland and Northern Ireland, only secondary legislative powers for Wales, and very little for England – but ministers say they are responding to the varying demands of different regions.

The stakes could hardly be higher. Because he has invested so much personal capital in Labour's devolution plans, the Scottish elections will be the stiffest test yet for Mr Blair and his 20-month-old government.

If Labour loses Scotland to the Scottish National party – which wants to hold a referendum on independence – it would cast a deep pall over achievements in other fields.

The forthcoming elections underline how difficult it has proved to hold the nations of the UK together since the demise of the global empire that once gave them common purpose.

Mr Nairn is not the only expert trying to imagine how a devolved Britain might look. In a book to be published next month, 12 of Britain's leading academics, grouped around the Constitution Unit at University College London, make an attempt to read the future, based on the experience of other countries.

While recognising the far-reaching nature of the reforms, they see shortcomings. "Each initiative has been planned with little obvious regard to the other elements in the devolution package, and with no sense of the package as a coherent whole," they say.

Robert Hazell, the unit's director and the main author, adds: "Despite the devolution programme much of the government's language is centralising in tone, and in major parts of the constitutional reform programme distinctly ambivalent."

Nonetheless, the changes "will release powerful dynamic forces that will be beyond the government's control". Turn the clock forward 10 years, and the UK could be a different place.

Picture a future in which all the assemblies have enhanced their authority. The Scottish parliament, independent or not, has used its tax powers. The Northern Ireland assembly has the right to tax and the Welsh assembly has been transformed into a parliament with rights to legislate and tax. England has strong elected mayors in its big cities and elected assemblies in several regions. The Lords has become a largely elected body representing the nations, regions and cities. The Commons, or lower house of parliament, is elected by proportional representation. A Bill of Rights has been passed with a Freedom of Information Act, and a Supreme Court created.

That is the "maximal" scenario. There is a "minimal" one as well, but even under this, Mr Hazell argues, "the cumulative impact will be profound, because the constitutional reforms will unleash a political and legal dynamic that the government will not be able to rein back".

Devolution is a process, Mr Hazell says, not an event. There can be no fixed "settlement". Each part will affect the others.

"There is likely to be a process of leapfrog whereby the slower English regions seek to catch up with those that have established regional assemblies; and Wales seeks to emulate Scotland. This may lead the Scots to press for further devolution to stay one step ahead," the book says.

Political parties will be deeply affected. Even without proportional representation for Westminster, devolution is likely to fragment national parties and spawn new regional ones.

It will be difficult for the prime minister to impose his will, despite the choice of Blairite Labour candidates in Scotland and Wales. "To compete against the SNP electorally the Scottish Labour party will have to emphasise its Scottishness and distance itself sharply from the British Labour party," the book says.

Judges will be drawn into political disputes about the validity of Scottish or Northern Irish legislation. Devolution will mean big changes for Whitehall, which is likely to face pressure for the Scottish parliament and Welsh assembly to have their own civil service, as in Northern Ireland.

The most controversial impact will be on Westminster. "Europe and devolution will weaken it, as parliamentary sovereignty is squeezed from above and below," the book says.

The executive's dominance may be reduced by devolution, the human rights convention, freedom of information, the onward march of the European Union, parliamentary reform and electoral reform. Mr Hazell comments: "To those outside it will seem like a long overdue taming of the leviathan."

There will be tensions. The biggest is likely to be over finance, with English regions becoming increasingly restive over the higher public spending enjoyed by the other nations. "The time will come when the government is forced to concede a fresh needs assessment," the authors say.

The greatest uncertainty is over English devolution. The government has blown hot and cold over elected regional assemblies – recent comments suggest they are firmly on the agenda for a second term, but some see this as conflicting with proposals for elected mayors in the cities.

The book says: "There may not be room for two political leaders claiming to be the voice of the region. Which model wins through may depend on who occupies the political space first. At present the elected mayors look likely to get there first."

Devolution is already causing headaches for Labour. The SNP is at its heels in Scotland, helped by allegations of Labour sleaze and poor organisation. In Wales, where Labour had seemed assured of a working majority, things are less certain after Ron Davies resigned under a cloud as Welsh secretary. The attempt by Alun Michael, his successor, to become Labour's candidate for first secretary is handicapped by the perception that he is Downing Street's man – an early indication of the difficulties national parties are likely to experience with increasing frequency.

But the game has scarcely begun. Vernon Bogdanor, professor of government at Oxford University and a devolution supporter, remains optimistic. Separatist pressure would be stronger if Scotland had been denied its parliament, he says, adding that people respond positively to having the chance to run their own public services.

The government must, though, find ways to bind the UK together. Lords reform may offer an opportunity to include representatives from the devolved institutions. Also, a joint ministerial committee will be a crucial liaison point between Edinburgh, Cardiff, Belfast and Whitehall.

"To come to terms with the new political culture the centre will have to relax and be willing to let go," Mr Hazell wrote. "It will have to treat the devolved governments as equal partners, not subordinates."

Britishness, however, remains a fragile concept. Created by the political union of England, Wales and Scotland in 1707, and expanded to include Ireland in 1801, full union lasted only until southern Ireland defected in 1922. Any further cracks in the edifice could prove fatal.

Constitutional Futures, edited by Robert Hazell, will be published by Oxford University Press on February 4. £17.99.

This article is the first in a series. Tomorrow: Scotland.

OBSERVER

You must be kidding

Investing in the stock market is child's play – just ask 10-year-old Michael Keinänen, whose hobbies include football, watching TV and stock selection. The miniature money manager's investment skills have just won him enough cash to buy a lifetime's supply of gobstoppers.

Young Michael may hail from the little town of Sandared in south west Sweden but when it comes to picking go-go companies he's up there with the best that London or New York can offer. The nipper last year turned a SKr9,000 investment into a share portfolio worth SKr21,184 – an annual return of 135 per cent. In the process he's won a SKr1m prize as the champion of Börs SM 98, an annual competition to find the country's top private share tipster.

Advised by his father Markku – who insists that the prize money is being put aside to fund the youngster's education – Michael outperformed many older institutional investors by buying into three fast-growing Swedish stocks: Europolitan, the GSM network operator; Entra Data, the IT consultants; and Doro Telefoni, the IT and telecoms products distributor.

For 1999 his top tips include Nordic companies Nokia, Modul 1 and Resco. It all goes to prove the old Swedish saying: Sma grytor har ocksa öron. Small pots also have ears.

January sales

Charles Miller Smith yesterday found time to muse on the composition of the board at Imperial Chemical Industries. It seems that the ICI chief executive, along with chairman Sir Ronald Hampel, are alone among directors in not having seats in the House of Lords.

Miller Smith's more immediate priority is to hang on to the seat he's got at the chemical group's London headquarters. The collapse of his plan to sell ICI's Tioxide business may be seen by the stock market as an event beyond his control, but shareholders' continuing support for his vision won't last forever.

Initially feted as the man to convert a drifting giant into a world-beating specialist chemicals company, Miller Smith has more recently been accused of flogging the family silver in exchange for a mountain of debt. For the meticulously well-organised Glaswegian accountant, his handling of the Tioxide debacle will surely decide the future of ICI's first externally recruited chief executive.

To his critics, the courteous, self-deprecating but steely tough Miller Smith can rightfully ask what sort of state would ICI now be in without him? But with a cyclical market working against him, getting his big plan back on track will test his famous zeal and single-mindedness to breaking point.

Life might have been easier if the 59-year-old had won the top job at his old company Unilever, where he immersed himself in the fragrances and flavourings division. But he's a risk-taker who insists a new ICI will rise and shine, despite the set-back. He's got to crack on, before the atmosphere at Britain's one-time industrial bellwether turns less than fragrant.

Darling Charlie

The unmistakable sound of champagne corks popping deep inside the British Treasury – and it's got nothing to do with the launch of the euro.

News that Charlie Whelan, one of chancellor of the exchequer Gordon Brown's closest aides, is to leave has got 1999 off to a splendid start for those Treasury toilers who've been left out in the cold by the coterie surrounding Brown. The departing special adviser, a one-time communist and foreign exchange dealer, is going in the wake of the departure of cabinet minister Peter Mandelson. His downfall followed controversy surrounding the financing of his ultra-smart London home and Whelan was widely accused of leaking the story to undermine someone regarded as an enemy of the Brown camp.

The almost simultaneous departure of Treasury minister Geoffrey Robinson, who made an undisclosed loan to Mandelson, had already brought some badly-needed Christmas cheer but the passing of the quarrelsome, fiercely loyal Whelan at the first "appropriate opportunity" is a cause for thinly-disguised rejoicing. The 44-year-old football fanatic made enemies – not least among them former top Treasury civil servant Lord Burns – from the moment he walked into the place behind his boss after the 1997 general election.

But if Whelan discovers that an "appropriate opportunity" is hard to find – who wants a controversial, ex-spin doctor? – how much harder will it prove for Brown to find a replacement special adviser?

The chancellor's clamlike private office – once at the pinnacle of every aspiring mandarin's ambitions – is now regarded as a no-go zone; there will be few internal candidates stepping forward. And who else in a party machine where the softly-softly march of the Blairites advances, will want to join the Brown camp?

Perhaps the chancellor could do the unthinkable. Leave his image and the presentation of government economic policy to his press office. And call back the press officer Whelan saw off when he was still a power in the land.

The Financial Times

100 years ago

The Car Crisis
Yesterday nothing very much was said at great length at the third annual meeting of the British Motor Company. The shareholders asked for bread and were given a stone, the directors as usual falling into the error of thinking that what the meeting wanted was to gaze on the ungainly forms of several of the Company's omnibuses and cars, which were accordingly marshalled outside the hotel in which the meeting was held. From the way in which these vehicles are thrust before the shareholders, it looks as if the company doubts whether a single motor conveyance exists in London. But the public is perfectly well aware that a number of the vehicles have been produced by the Daimler Company, which is now in dire distress.

50 years ago

Japanese Exports
A plain warning of the recent increased activity in the Japanese textile industry and its possible effect upon the Lancashire cotton trade is contained in the annual report of the China and Far East section of the Manchester Chamber of Commerce.

FINANCIAL TIMES
TUESDAY JANUARY 5 1999

THE LEX COLUMN

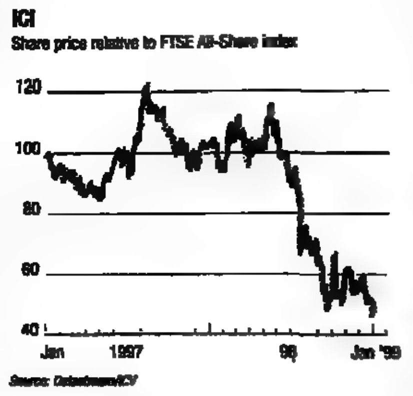
Bad reaction

Imperial Chemical Industries wins the prize as the New Year's biggest party pooper. The collapse of two deals, including the Tioxide disposal, was not unexpected, but is no less a blow for that. Where does it leave ICI? Another year of carrying some £4bn ($6.6bn) of debt means a higher-than-expected interest bill. Luckily, Tioxide's trading is bearing up. Its contribution to profits in 1999 should mean ICI's latest setback will not hurt earnings.

Another fillip is falling interest rates, which should offset any widening of spreads as ICI's corporate bonds get rolled over. Even if liquidity dries up in the capital markets, ICI has more than £2bn of short-term banking facilities to fall back on with covenants that do not include interest cover.

Cold comfort for investors. The dividend for 1998 will be maintained, but shareholders should not hold their breath for a rise in 1999. ICI will spend at least part of this year burdened by commodity chemicals, where the cycle remains in a trough. Finding other buyers for the Tioxide businesses will not be easy as DuPont and NL, the pair ICI had lined up, were the natural bidders.

Another option – an initial public offering – would surely prove an uphill task. Investor appetite for single product commodity businesses is hardly overwhelming. Meanwhile, ICI's high debt level reduces the scope to expand the new speciality core. Trade sales at good prices, and soon, are needed before investors allow themselves to be seduced by the real attractions of "new" ICI.



Source: Datastream/ICV

Bell Atlantic/AirTouch

Not content with putting old Ma Bell together again in fixed-line telecommunications, Bell Atlantic now wants to try in wireless as well. If the biggest of the Baby Bell local phone companies succeeds in buying California's AirTouch for $45bn, it will create a coast-to-coast mobile phone network to rival those of AT&T and Sprint.

In theory this makes sense. US operators have belatedly recognised that cellular telephony is a hot business: AirTouch's high-teens revenue growth rate is three times that of Bell Atlantic and, like Vodafone, it has valuable overseas assets. Defensively, a Bell-led US national wireless network should be able to combat AT&T's highly successful single national tariff plan for digital mobile subscribers. But is a full merger really necessary to reap these benefits? After all, Bell and AirTouch already have a wireless joint venture – PrimeCo – which could be restructured.

The deal could fall foul of the regulators. There are few overlaps between Bell Atlantic and AirTouch. But the former is also trying to merge with GTE, another local phone company, which does compete with AirTouch. And federal regulators will have reservations about the recreation of a full-service telecoms giant. In the end, a deal with AirTouch might jeopardise the GTE merger. Meanwhile, Bell Atlantic's apparent reluctance to offer AirTouch investors much of a premium could trigger interest from rivals, such as BellSouth and MCI WorldCom.

UK monetary policy

The UK's monetary policy committee will have plenty of excuses for adopting a wait-and-see attitude when it meets this week. After all, anecdotal evidence suggests the shops did not have as awful a Christmas as many feared. Certainly, consumers still have some life left in them if the record sales of mobile phones are anything to go by: Vodafone's UK customer base expanded by an astonishing 14 per cent in December alone.

Meanwhile, more conventional data – like yesterday's purchasing managers' index – suggest that manufacturing may be weak but at least not deteriorating at quite the rate it was. Finally, there is the euro, which strengthened against sterling (and other currencies) on its first full day of trading. One could argue that it would be best to see how the new currency settled before cutting UK rates further.

All this would be fair if rates were already at a sensible level. But the current level of 6¼ per cent implies a moderately tight monetary policy; neutrality would be closer to 5 per cent. Moreover, inflation looks under control. And as for sterling, it would actually be healthy if it fell from its still overvalued level. In the circumstances, another half point cut this week would be appropriate – even if it is not terribly likely.

Liffe/Eurex

The collapse of Griffin Trading Company comes at a tricky time for the London International Financial Futures and Options Exchange and Eurex, its larger continental rival. The pair are in a tussle for supremacy, and although the deals which lost one trader £6.2m were made on Eurex, Liffe has been sucked in.

The sum looks insignificant enough to make outsiders wonder what all the fuss is about. But the fact that such a small loss could cause a crisis in Europe's derivatives exchanges is worrying. Setting aside the question of how one trader could exceed his limit by 10 times, why did his actions cause so much collateral damage? Funds deposited by about 50 other "locals" – Liffe's red-blazered independent traders – are at risk, having been frozen by Griffin's clearer, MeesPierson.

Many locals were apparently not given the option of having their funds ring-fenced, or were unaware of the risks of being in omnibus accounts. They may have been naive and, in an inherently risky profession, trading losses can never be completely prevented. When Liffe is fighting for new business, however, it cannot afford to alienate those who already use the exchange.

In its review of the Griffin affair, the Financial Services Authority, Liffe's regulator, must demonstrate that a larger loss would not cause commensurately larger chaos. Otherwise, the affair could do lasting damage to confidence.

Morning mist blends with severe pollution to create a blanket of smog over New Delhi

Delhi fights for breath under a pall of pollution

Airport shuts down as capital chokes, reports **Amy Louise Kazmin**

Flights at New Delhi's Indira Gandhi International Airport have been disrupted since mid-December by a thick, white fog that has enveloped the capital.

With visibility severely reduced by the combination of moisture and pollution, the airport has shut down every night, reopening only when the fog lifts in mid-morning.

International departures have been delayed by a day, and arrivals have been diverted to other airports.

Domestic travel has also been hit, with aircraft stuck at regional airports. Thousands of people have been affected.

The airport problem is part of a deeper crisis – increasing air pollution that is slowly choking India's capital city.

"You are literally draping yourself with a pollution blanket," says Anumita Roychowdhury, co-ordinator of the Right to Clean Air Campaign. "A gas chamber is a good way to describe it."

Each winter, Delhi residents are left gasping for breath as an inversion layer keeps emissions from cars, factories and numerous cooking fires close to the earth. In the city centre, levels of benzene – a known carcinogen – have been variously measured at 12-20 times higher than the level deemed safe in Europe.

Even when the fog lifts – allowing aircraft to take off – skies remain an ominous shade of brownish grey.

India has equipment that could alleviate some of the chaos at the airport. As part of a modernisation programme started in 1992, India acquired an instrument landing system that could allow aircraft to land in reduced visibility.

The system was part of $90m package of new automated air traffic control equipment, purchased from US-based Raytheon.

Besides helping cope with fog, the equipment was needed to improve Indian air safety following a midair collision just outside New Delhi that killed 349 people two years ago.

But disputes have delayed full use of the systems. The radar and communication equipment was installed, tested and ready to operate months ago, but air traffic controllers, engaged in a wage battle with the airport, refused to use it, demanding changes to make the system more familiar.

The instrument landing system, is being used only if runway visibility is at least 550m rather than its 350m capability. This is because airport officials want Raytheon to accelerate the system's switch-over rate – the time it takes to switch to a back-up system in case of failure – although company officials say they delivered a system that meets the terms of the original contract.

The situation has left pilots and airlines fuming. "If that Raytheon equipment was operational, a lot of airlines could have landed on schedule," says Captain Ayodh Kapur, director of the Federation of Indian Pilots.

Under the prodding of the Supreme Court, officials have taken tentative steps to grapple with New Delhi's wider pollution problem, but environmentalists are unimpressed.

"The entire approach is extremely ad hoc," says Ms Roychowdhury. "It is a jumble of measures but with nothing that can make an immediate impact."

In the autumn, New Delhi banned all taxis, buses and rickshaws more than 15 years old because of their higher emissions. The court also ordered officials to ban leaded petrol and provide unleaded fuel.

However, for air travellers there is some heartening news. Last Friday, air traffic controllers finally switched over to the new radar and communications equipment.

Raytheon will provide New Delhi airport with a more sophisticated (category III) instrument landing system that will have a faster switch-over rate – and allow aircraft to land even in zero visibility. Raytheon says this is "above and beyond the original contract".

By the time the fog descends next year, aviation officials expect the system to be functioning.

But that is little consolation to New Delhi residents. The drastic action needed to curb pollution and clean up the city's air is likely to be much longer in coming.

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Pakistani forces inspect vehicles damaged in the bomb blast which narrowly missed prime minister Nawaz Sharif. Reprisal fears, Page 7 AP

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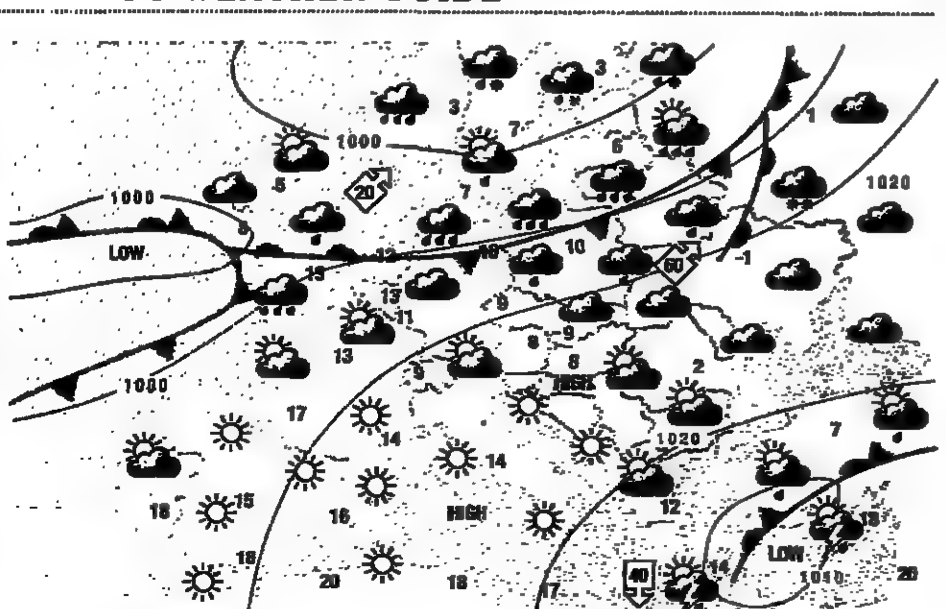
FT WEATHER GUIDE

Europe today

Scandinavia will be cloudy with sleet and snow. A frontal system will bring heavy snow to Finland and parts of north-western Russia and heavy rain to northern Poland, Germany and The Netherlands. Italy, Austria and Switzerland and eastern Europe will have sunny intervals. Greece, Cyprus and Turkey will have sunny intervals disturbed by heavy thundery showers. Spain and Portugal will be dry with plenty of sun. Northern Spain will be warm. France will be mostly dry and bright.

Five-day forecast

Scandinavia will have rain in the south during the middle of the week before becoming mostly dry. Rain will spread into western and central Europe as the mild spell continues. The Iberian Peninsula will be mostly dry until the weekend, except for showers in Portugal.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	26
Accra	Fair	32
Algiers	Fair	20
Amsterdam	Shower	12
Athens	Rain	12
Atlanta	Sun	1
B. Aires	Thunder	25
B.ham	Shower	11
Bangkok	Fair	33
Barcelona	Sun	14
Beijing	Sun	3
Belfast	Rain	7
Belgrade	Cloudy	5
Berlin	Rain	10
Bermuda	Fair	24
Bogota	Fair	19
Bombay	Sun	32
Brussels	Cloudy	13
Budapest	Fair	2
C.hagen	Shower	7
Cairo	Fair	18
Caracas	Fair	29
Cardiff	Shower	12
Casablanca	Sun	19
Chicago	Fair	-8
Cologne	Fair	14
Dakar	Fair	25
Dallas	Sun	15
Delhi	Fair	20
Dubai	Fair	26
Dublin	Rain	8
Dubrovnik	Sun	14
Edinburgh	Rain	5
Faro	Sun	17
Frankfurt	Fair	13
Geneva	Fair	9
Gibraltar	Fair	16
Glasgow	Rain	5
Hamburg	Drzzl	10
Helsinki	Sleet	3
Hong Kong	Sun	23
Honolulu	Fair	27
Istanbul	Rain	9
Jakarta	Thunder	29
Jersey	Shower	12
Johannesburg	Sun	28
Karachi	Fair	28
Kuwait	Sun	22
L. Angeles	Fair	24
Las Palmas	Sun	22
Lima	Cloudy	26
Lisbon	Fair	18
London	Shower	13
Lux.bourg	Fair	11
Lyon	Fair	14
Madeira	Shower	18
Madrid	Fair	15
Majorca	Fair	16
Malta	Fair	17
Manchester	Rain	12
Manila	Fair	31
Melbourne	Sun	35
Mexico City	Fair	21
Miami	Fair	17
Milan	fog	9
Montreal	Fair	-6
Moscow	Snow	1
Munich	Fair	13
Nairobi	Fair	28
Naples	Sun	16
Nassau	Fair	26
New York	Snow	-2
Nice	Sun	14
Nicosia	Shower	18
Oslo	Rain	3
Paris	Fair	13
Perth	Sun	23
Prague	Cloudy	8
Rangoon	Sun	32
Reykjavik	Sun	2
Rio	Fair	30
Rome	Sun	14
S. Frsco	Sun	18
Seoul	Fair	9
Singapore	Thunder	30
Stockholm	Cloudy	7
Strasbourg	Fair	12
Sydney	Fair	29
Tangier	Sun	17
Tel Aviv	Fair	20
Tokyo	Fair	11
Toronto	Fair	-6
Vancouver	Rain	9
Venice	fog	9
Vienna	Cloudy	8
Warsaw	Drzzl	8
Washington	Fair	-2
Wellington	Sun	22
Winnipeg	Cloudy	-14
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MARKET STATISTICS

Internet shoppers spend $1.2bn

Purchases by AOL clients point to rise in seasonal business

By John Labate in New York

America Online, *the leading* internet service provider, said yesterday its customers had spent $1.2bn on purchases between November 26 and December 27, in the first significant sign of the pace of online shopping at Christmas.

Although estimates had varied widely, *the figures* were generally higher than expected, as a surge of first-time buyers took to the internet to purchase toys, books, clothing, and travel services.

AOL's figures are considered important to the emerging online industry because the more than 15m AOL members are believed to have accounted for nearly half of all online transactions over the holiday period. Industry estimates of online shopping for the fourth quarter ranged from $2.5bn to $3.5bn, and analysts yesterday said AOL's announcement would push projections to the top end of those estimates or slightly higher.

"It's a huge number given the context that as a service provider AOL is the starting point for those dollars to be spent. That is a commanding position to be in," said Jill Frankle, internet analyst at International Data Corporation. "But [the figures] are hard to interpret."

AOL does not break out the portion of holiday transactions that were made through its AOL Shopping Channel – a collection of 110 popular online and traditional merchants – and what portion of the transactions were made by consumers using AOL to access and make purchases on other websites directly.

The difference could be important to the company's bottom line, because retailers pay high fees to be part of the Shopping Channel and AOL receives higher revenues for some purchases made on the channel. AOL said it had no immediate plans to release separate Shopping Channel figures.

"I'd predict that this quarter should mark the first time AOL consumers have confidently gone outside the AOL shopping [channel], which is good for the internet, but may not be good for AOL," said James McQuivey, online commerce analyst at Forrester Research.

But he added that any significant shift by AOL members toward independent web shopping could be offset by a sharp overall rise in online shopping in general.

AOL also reported that December 17 was its busiest shopping day to date, with more than $36m in sales generated in consumer goods and travel services. It added that 1.25m AOL members made their first online purchases during the holidays.

The most popular product category for the period were children's items, including toys and baby items, followed by clothing.

Among the companies in AOL's Shopping Channel are barnesandnoble.com, the online bookselling division of Barnes & Noble, online music retailer N2K, and clothing retailers J. Crew and Gap.

AOL, which is based in Virginia, recently announced a joint venture to offer services in Brazil, Mexico and Argentina during early 2000.

Shares of AOL, which had reached an all-time high of $160 last week, were lower in early New York trading yesterday, falling $9 to $151.

Hongkong Telecom forced to cut prices

By Louise Lucas in Hong Kong

Hongkong Telecom, which lost its lucrative monopoly on international direct-dial calls *last* Friday, yesterday cut the cost of calls to its main markets by up to 30 per cent.

The tariff cuts are a response to a barrage of similar moves by the company's new competitors, raising the spectre of an all-out price war.

City Telecom (HK), a small but aggressive carrier, last week cut its rate to the US to 66 HK cents (8½ US cents) a minute – at restricted times – or about one-tenth of Hongkong Telecom's pre-discount rate.

The liberalisation of Hong Kong's *IDD* market has attracted widespread interest. *About 30 companies* have secured licences to provide international simple resale (ISR) services, allowing them to bulk-buy Hongkong Telecom capacity and sell it on.

Foreign companies to have won licences include British Telecommunications, NTT of Japan and MCI WorldCom of the US. However, it is mainly local companies that have taken the lead in launching services and cutting tariffs.

New World Telephone, for example, is running a promotion on its US rate at 98 HK cents a minute at peak times, while Hutchison Telecom and *New T&T are both expected to* announce new rates shortly.

Hongkong Telecom, which is controlled by Cable and Wireless of the UK, has taken a different tack, reducing tariffs under a series of call plans and emphasising quality of service.

Calls to popular destinations, including north China, will be cut by up to 30 per cent. More than 60 per cent of Hong Kong Telecom's outgoing IDD calls are to China and calls to the north of the country will fall from HK$9.50 to a minimum HK$6.70 a minute.

"We are going to compete aggressively by continuing to provide our customers with first-class services and benefits at highly competitive prices," said Roy Wilson, Hongkong Telecom's executive director of sales, marketing and customer services.

Even so, analysts said the group's market share would shrink. Jason Billings, regional telecoms analyst at SBC Warburg Dillon Read, forecasts a loss of 26.1 per cent by the end of the current financial year in March.

ICI paints to shed 1,000 jobs in $202m shake-up

By David Pilling in London

Imperial Chemicals Industries, moving to counteract news of the collapse of the sale of its Tioxide division, yesterday announced a restructuring of its troubled paints division *and forecast earnings at the* higher end of expectations.

The UK-based company said the restructuring, which would result in 1,000 job cuts and a pre-tax exceptional charge of £120m ($201.6m) would realise annual savings of £70m within two years. Nearly half the job cuts will come in the UK – 200 of them at the Crosfield speciality chemicals division that ICI failed to sell last year.

The announcement was not enough to offset market disappointment at the failure to seal the Tioxide sale to DuPont and NL Industries of the US after objections by the Federal Trade Commission. The share price fell 29p, or 5.6 per cent, to 492p, against more than £12 last May.

The collapse of the Tioxide deal – agreed in July 1997 and which would have brought ICI £600m – leaves the company with net debt of more than £4bn. The company said it expected full-year profits of £315m compared with £518m last time, giving it interest cover of 1.7 times. Profits will barely cover the dividend payment, which it said would be maintained at 32p.

Standard & Poor's, the ratings agency, *yesterday* put ICI's debt on negative outlook, although it maintained its rating of A minus.

Last October ICI's attempts to sell its Crosfield unit to WR Grace of the US were called off after regulatory objections, leading some analysts to question how well its disposal programme is being implemented.

"We always knew the FTC would be difficult, but DuPont, NL and ourselves believed that a sensible fix was possible," said Mr Miller Smith, ICI chief executive. "In the end, a sensible fix was not possible."

Mr Miller Smith promised to improve ICI's position by imposing tough budgetary restraints as well as through restructuring. Of the US paints unit, a core ICI holding, he said: "It was was a business that was not properly market-focused, not properly led, and with too much cost."

The chief executive rejected suggestions that ICI would find it difficult to sell its Tioxide – a white pigment used in paint – and other non-core businesses, particularly given the recent sharp fall in bulk chemical prices. "We will sell these businesses," he said. "But when I can't say."

He hinted the company might be prepared to dispose of businesses previously not up for sale. The sale of Teeside Utilities and Services – closed yesterday and which netted ICI £120m – had not been part of the original disposals programme, he said. "It may be broader than [we envisaged] before we've finished."

Assuming the bulk chemicals divisions was off-loaded, "the new ICI is a cash generative business which will generate more than enough cash to pay interest and dividends", he said. "If we make no disposals ever again, then *I can accept* we'll have some problems."

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Kirch plans to welcome outside investors

Leo Kirch, the German broadcasting mogul, has announced a restructuring plan which gives outside investors access to one of Europe's biggest media companies.

The privately held group will be reorganised into business units in which outsiders will be offered stakes that could include quoted shares.

The restructuring is set to speed up talks between Kirch and a group of international media magnates, including Rupert Murdoch and Silvio Berlusconi. **Report, Page 22**

Picture: Rex

GERMAN BANK SEEKS GLOBAL ROLE

Dresdner Bank spins off non banking stakes

By Tony Barber in Frankfurt

Dresdner Bank, Germany's third largest, has spun off about DM25bn (€12.78bn, $15bn) of its shareholdings in other companies into separate *units, a move that accelerates* the transformation of the banking and industrial landscape in Europe's largest economy.

Bernhard Walter, Dresdner chief executive, yesterday said the bank had taken the step before the end of 1998 – only days after Dresdner's main German rival, Deutsche Bank, announced on December 15 that it would hive off DM40bn of its industrial assets into separate companies.

Deutsche Bank announced its spin-off shortly after its takeover of Bankers Trust, the eighth largest US bank.

Both German banks want to become global financial institutions and are particularly keen to expand in the US, but they suspect they may struggle to achieve their goals unless they bring more transparency to their core banking operations.

One way to do this, they have decided, is to disentangle themselves from the stakes they have held since the second world war in a variety of non-banking German companies – some of which also have Deutsche and Dresdner representatives on their supervisory boards.

Dresdner, for example, owns stakes in BMW, the carmaker; Allianz, the insurer and *Munich Re, the world's biggest* reinsurance group.

Mr Walter said Dresdner's holdings would be transferred at 20 per cent above their book value. This would enable the bank to realise about DM2bn in hidden reserves, which would be added to its general reserves.

In Germany, hidden reserves broadly represent the difference between the market value of holdings and the price at which they were bought.

Analysts said Dresdner's spin-off seemed designed in part to improve prospects for its planned New York listing next summer. Mr Walter wants US-based investors to increase their shareholdings in Dresdner so that the bank can have more capital at its disposal for its expansion plans in the US and euro-zone countries such as France, Italy and Spain.

Placing the industrial holdings in separate entities should in theory allow them to be managed in a more profit-orientated manner, suited to the interests of Dresdner shareholders.

Review likely on rules of London futures exchange

Move follows collapse of Griffin

By Clay Harris and Vincent Boland in London

UK regulators are likely to review the rules governing traders' segregated accounts and margin requirements on the London International Financial Futures and Options Exchange (Liffe) in the wake of the collapse of Griffin Trading Company.

The Securities and Futures Authority also said yesterday it hoped independent traders, known as locals, whose accounts at Griffin, a Liffe clearing house, had been frozen would be paid at least 50 per cent of their money, within weeks rather than months.

Chicago-based Griffin filed for bankruptcy in the US last week after its London branch and an associated UK firm, *GLH (Derivatives) were closed* by the SFA. The action followed- a £6.2m ($10m) loss incurred by John Park, an independent trader who cleared through Griffin's London branch dealings in German government bonds.

Mr Park's losses, after *exceeding his authorised limits* by 10 times in trading on Eurex – Europe's biggest derivatives market – through broker Tullett & Tokyo, hit about 100 other locals who cleared through Griffin. Their funds were also frozen by the SFA, and remain at risk, *because they were grouped in* one Griffin account.

Futures market participants said the forced absence of those traders – Liffe has about 550 locals altogether – did not affect liquidity in the main contracts traded on the exchange yesterday, the first day of normal trading since Mr Park's ill-fated trades on December 22.

"It [trading] was mostly euro-driven today so there wouldn't have been much of an impact," said a futures trader at a big investment bank. But he added that there could yet be an impact from locals in some obscure sectors.

Traders, not just those associated with Griffin, were surprised their money could be at risk because of the mistakes of another who used the same clearer. "Of all the traders on the Liffe floor, there wasn't a single one who knew it," one said yesterday.

They drew comparisons with how the funds of independent *traders using Griffin in the US* had been moved to other firms, which protected their capital and allowed them to continue trading normally.

The SFA has implicitly recognised this issue in its plan to review the segregation rules and the net margin *arrangements that allow* a clearing broker like Griffin to offset one customer's exposure with the margin of others.

A leading independent broker said it had received inquiries about opening accounts from local traders, some who had accounts with Griffin, *some from other firms.* Griffin's London branch is expected to follow its US parent's lead and file for liquidation.

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TELECOMMUNICATIONS DEAL COULD LEAVE SHORTAGE OF 'TRACKING STOCKS' AVAILABLE TO NEW INVESTORS

AT&T set to unveil details of TCI merger plan

By Richard Waters in New York

AT&T is expected tomorrow to give detailed plans for its merger with TCI Communications, which will create the latest in the series of "tracking stocks" that have become popular in the US telecommunications sector.

The long-awaited details of the merger could, however, leave a shortage of the new tracking stock available for would-be investors, creating a scramble for the new shares when the merger is finally completed.

News of the new tracking stock, together with a ratings upgrade from Dan Reingold at Merrill Lynch, contributed to a near-5 per cent jump in AT&T's share price. By early afternoon in New York, the shares were trading at $78 13/16, up $3 9/16 on the day.

AT&T had announced plans for a tracking stock when its purchase of TCI was unveiled last summer. At that time, it said it planned to issue a new class of shares to reflect the performance of its residential services – including both TCI's cable television operations and its own long-distance telephone service.

That would enable it to separate the high-growth cable operation, which generates little in the way of after-tax earnings, from its existing telephony business, which is valued by stock market investors on the basis of its earnings per share.

According to Mr Reingold, however, AT&T has now changed that plan to create a tracking stock that reflects the different financial characteristics of its operations, rather than their different customer bases.

That would leave a new stock tied only to the company's high-growth, low-earnings operations – its cable television and wireless telephony businesses. Everything else – including residential long-distance – would then be grouped with the other telephony services.

The earlier plan "has been thrown out the window ... because it doesn't work in terms of valuations", Mr Reingold said yesterday.

However, there may only be a small "float" of shares available for investors who want to buy into the tracking stock. The Merrill analyst said he expected AT&T to retain 80 per cent of the shares itself, while selling 10 per cent from an initial public offering and allowing existing investors to swap their AT&T stock for up to 10 per cent of the new shares.

That arrangement could make only around $7bn of the tracking stock available to existing shareholders, compared with the near-$40bn market value of TCI, according to Mr Reingold.

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Vodafone chief keeps watchful eye on events

By Alan Cane

Chris Gent is in Australia urging on England's cricketers in their Test match endeavours. But nobody will be following the progress of the merger talks between AirTouch and Bell Atlantic with greater interest than the 50-year-old managing director of Vodafone, the UK-based international mobile phone operator.

AirTouch and Vodafone have been tied together, in analysts' dreams at any rate, for years. Everybody agrees they are a natural match.

Both are powerful, well-run companies with impressive arrays of management talent and excellent business performance.

Both are international operators that have made canny investments abroad and are beginning to reap the benefits. Their overseas interests are complementary rather than competitive. Together they could create the first truly global mobile phone operator. They are already linked through joint operations in Sweden and Egypt.

Vodafone's international strategy is designed for growth. It believes in converting investments to associates and associates to subsidiaries, where possible.

Some 18 months ago, Vodafone and AirTouch held talks aimed at exploring a merger. This, however, came to nothing. Neither side had sufficient will to move matters on.

Yesterday Vodafone said only that it was monitoring the development of the AirTouch/Bell Atlantic negotiations because of its interests in Sweden and Egypt.

Analysts believe, however, that it is considering broader options. A combination of AirTouch and Bell Atlantic would bring together fixed-wire and mobile interests in a huge example of convergence.

Mr Gent, however, has always rejected the idea that Vodafone should become the mobile element in a converged company.

Whether he would be willing to see the possibility of creating the world's largest mobile operator pass by is another matter.

Overseas link makes AirTouch deal a good call

Bell Atlantic's planned takeover would create a platform in European wireless telephony, writes **Richard Waters**

Bell Atlantic's willingness to pay $45bn for AirTouch may well have more to do with what is happening in Rome than in San Francisco.

Overseas connection: AirTouch chairman Sam Ginn

The latest mega-acquisition in the US telecommunications industry, which could be announced as soon as today, would create the country's third national wireless system, alongside AT&T and Sprint – assuming, that is, a rival bid does not emerge to knock it off course.

Less noticed, though, has been the powerful platform the merger would create in the fast-growing European wireless business. It would combine the two US companies which have been the most aggressive in buying wireless investments across the Atlantic and produce a powerful contender in one of the fastest growing parts of the international telecoms industry.

Given that a swathe of Wall Street investment banks are involved in advising on Bell Atlantic's acquisitions of AirTouch and GTE, many US telecoms analysts found themselves unable to comment yesterday on the AirTouch transaction.

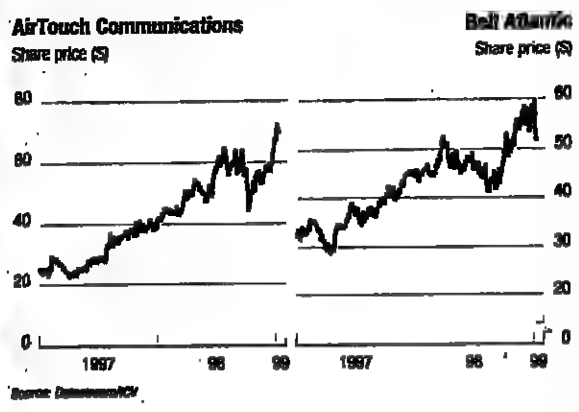
Speaking of the expected $45bn value of Bell Atlantic's all-stock offer, though, one analyst said of AirTouch yesterday: "More than half the value of the company is international."

For now, the US remains Airtouch's biggest market – though were it to remain an independent company, that would not be the case for long.

The $5.9bn purchase of US West's cellular business earlier this year pushed the number of users in the US to 7.9m. Most of those are in the West, reflecting AirTouch's own origins as the spin-off of the cellular operations of Pacific Telesis in 1993.

By contrast, AirTouch, chaired by Sam Ginn, claims 4.9m customers outside the US. The number represents AirTouch's proportionate share in the overseas companies where its stakes vary from 10 to 51 per cent.

Outside the US, however, the wireless business is growing faster, and may well become far more profitable.



The number of international customers has grown 88 per cent from a year ago, a leap that reflects the way many of AirTouch's foreign investments are still in the very early stages of their existence.

Despite the relative newness of the business, these international operations are already producing significant amounts of cash. In the final quarter of last year, for instance, AirTouch's international operations are likely to have generated earnings before interest, taxes, depreciation and amortisation (ebitda) of $334m, not far short of the $355m of its domestic business, according to a recent estimate by Merrill Lynch.

This international engine is likely to become increasingly important. According to one Wall Street analyst who declined to be named, the international ebitda should grow by 20 per cent a year until halfway through the next decade, outstripping the more modest double-digit growth seen at home.

The international prospects are nowhere clearer than in Italy, the only market where the two companies' interests overlap. Bell Atlantic has a 17.4 per cent stake in Omnitel, a service launched in 1995, while AirTouch owns 14.3 per cent. Including a Bell Atlantic option to buy more, the two could match Olivetti, the largest Omnitel shareholder with 35.5 per cent.

Omnitel has been one of the stars of each company's European expansion, its customers jumping to 6m on the back of the raging popularity of wireless telephones in Italy.

A Bell Atlantic/AirTouch union, meanwhile, may raise a question in two countries where the San Francisco-based Airtouch has invested alongside Vodafone. The British-based carrier has long been rumoured as a potential merger partner for Airtouch, and the prospect of a US merger could leave Vodafone out in the cold.

AirTouch owns 51.1 per cent of Europolitan, a Swedish carrier, alongside Vodafone's 30 per cent stake, while the two are also partners in an Egyptian start-up.

German car makers bullish on US sales

By Haig Simonian and Nikki Tait in Detroit

Expectations that US car sales will remain strong this year have prompted Germany's leading carmakers, which dominate luxury imports, to forecast new sales records for 1999.

Jens Neumann, Volkswagen board member for North America, said sales should reach almost 300,000 units. Last year, VW sold 218,000 cars, its highest figure since 1981, when it still built vehicles in the US. "We believe we can continue to grow at double-digit rates," he predicted.

The strong US performance underpinned an 11 per cent rise in VW's world sales to more than 4.7m units in 1998, taking VW's world market share from 10.4 to 11.4 per cent.

The US rise was powered by the popular New Beetle, premiered in Detroit last year. Mr Neumann said North American sales of the Mexican-built Beetle, which entered showrooms last March, had reached 64,000 by the end of last year, compared with a 50,000 target for the first full year.

He predicted up to 25 per cent of future US New Beetle sales would be of the new turbocharged version unveiled yesterday. Priced at $19,000, the new variant should offer higher margins than the more competitively priced base model.

Separately, DaimlerChrysler said US sales of Mercedes-Benz cars had jumped by nearly 40 per cent to a record 170,245 last year.

The increase contributed to the 26 per cent climb in Mercedes-Benz's total sales to more than 900,000 cars. Turnover rose by more than 15 per cent to DM80bn.

Jürgen Hubbert, DaimlerChrysler's board member for Mercedes-Benz cars, said sales this year should reach 950,000. The increase would be fuelled by new models, such as the luxury S Class, and improved availability of popular vehicles such as the M Class sports utility. The group's target is to top 1m sales in 2000.

The forecasts came as BMW unveiled its new X5 sports utility model. Built at the group's plant in South Carolina, the vehicle should substantially boost BMW's sales.

The four-wheel drive X5 should attract US buyers, where sales of sports utilities and people carrying "minivans" exceeded 50 per cent of the passenger car market for the first time last November.

However, the new car has prompted confusion about BMW's product strategy, as it may cannibalise sales of the group's Land Rover brand.

BMW had in the past said it would not build a sports utility vehicle, as that remained Land Rover's preserve. However, rising US demand for such models may have combined with doubts among BMW bosses about Land Rover's quality and reliability to prompt a reappraisal.

Meanwhile, Toyota, the largest Japanese car maker, said that its 1999 sales target was 1.23m units, a 4 per cent increase over 1998. The company is not due to disclose final US sales for 1998 until Wednesday, but said yesterday it was anticipating a rise of about 50,000 units, or 4.5 per cent – the third consecutive record year.

It said that about 71 per cent vehicles sold in north America last year had been built locally.

MBNA ahead of expectations

By John Authers in New York

MBNA, the world's largest specialist credit card issuer, yesterday announced better-than-expected results for the fourth quarter, as it continued to benefit from the healthy US economy.

Net income rose 30 per cent to $238.3m in the quarter, making $776.3m for the year – up from $622.5m – an increase of 25 per cent.

MBNA was helped by a relatively low level of loan losses, at 4.31 per cent. Total managed loans rose by $10.3bn over the year to $59.6bn, helped by the addition of 475 new endorsing companies and institutions.

While MBNA is the largest specialist credit card issuer, its managed loans are smaller than those of Bank One and Citigroup.

Most of its marketing is done through "co-branded" cards, issued jointly with companies, or through "affinity cards", which are marketed directly by organisations such as colleges and charities to their base of supporters.

It has also been helped by continuing consolidation in the industry. Credit cards are increasingly seen as a "scale" business, as risk management becomes easier with large portfolios.

They are also seen as a purchase which can be made separately from a bank account. This has caused many medium-sized banks to leave the business.

During the fourth quarter alone, MBNA bought credit card portfolios from Union Planters of Memphis, Household Card Services, and European American Bank, a Long Island bank owned by ABN Amro.

Two weeks ago, it bought $2.9bn in credit card receivables from PNC Bank of Pittsburgh, the 13th largest US bank. All these acquisitions can be managed from existing MBNA locations, which emphasises the importance of scale.

MBNA's shares fared better than the banking sector as a whole, and by mid-session they had gained more than 3 per cent, up $13/16 at $25¼.

Soros set to close off fund to new investors

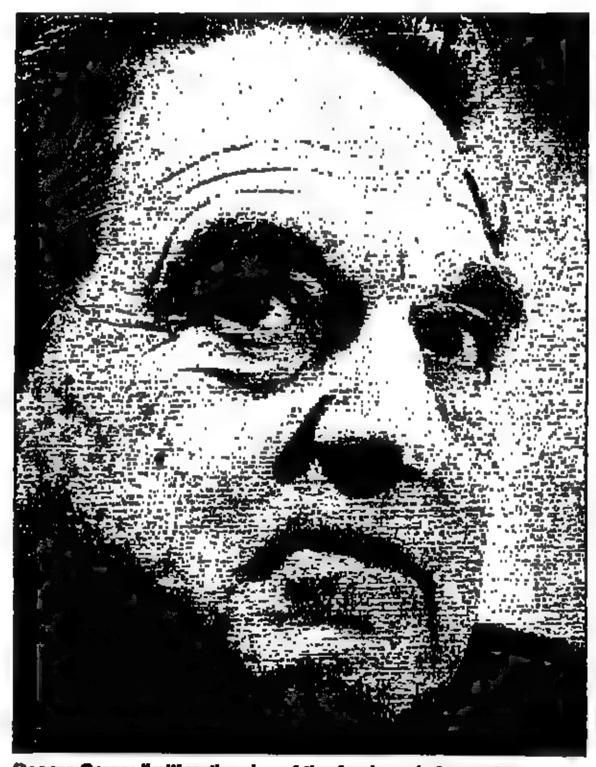
By William Lewis in New York

George Soros's Quantum hedge fund group is planning to close off its Quota Fund – one of its best known funds – to new subscriptions by investors.

As part of an attempt to limit the size of the $1.7bn fund, Mr Soros has also proposed to halt daily trading in Quota's shares.

In a letter to investors in the Quantum group, Mr Soros also stated that Nick Roditi, one of London's best-known hedge fund managers, is to return from a temporary leave of absence to run the Quota Fund.

Mr Soros wrote that Mr Roditi would be resuming his role as the principal external investment adviser to Quota.



George Soros: limiting the size of the fund maximises returns

Last October Mr Soros caused concern amongst a number of Quota Fund investors when he disclosed that Mr Roditi would be stepping down temporarily owing to ill-health.

While Quota performed poorly in 1998 – its year-to-date performance to December 28 was negative 17.7 per cent – it has achieved strong investment performance in previous years under the control of Mr Roditi.

Since the fund's inception in 1992 it has achieved an annual rate of return of 48.03 per cent. This means that an initial investment of $100,000 in 1992 would have appreciated to $1.4m at September 30 1998.

As a result, Mr Roditi has become one of the the highest earners in the City of London. One US publication reported that he earned £80m in 1996. In October, Mr Soros also told investors that Mr Roditi's temporary absence had prompted Quantum to merge two funds. In addition, Mr Soros said he would be seeking to close the Quantum Emerging Growth Fund, which has a net asset value of approximately $1.5bn.

In his more recent letter to investors, dated December 29, Mr Soros stated that "we have concluded that controlling the overall size of the fund is important to maximising the return to shareholders".

As a result Mr Soros is proposing a number of changes, including the ending of daily trading in the shares of Quota Fund. Unlike most hedge fund groups, Quantum has made it possible for investors to trade daily in the shares of its funds. Daily trading in the shares of the group's other funds is to continue.

Mr Soros also told investors that "it is not currently anticipated" that Quota "will accept subscriptions". Like most other hedge funds, redemptions by investors will be accepted at net asset value on a quarterly basis with at least 30 days notice.

Intel aims for lead with new chips

By Louise Kehoe

Intel, the world's largest chipmaker, started the new year by launching the first of several new microprocessor chips aimed at cementing its leadership in the personal computer market.

The new products are two high-speed chips aimed at the low-cost segment of the PC market for machines that sell, in the US, for under $1,000.

Intel has come under mounting competitive pressure in this segment from Advanced Micro Devices and National Semiconductor.

However, the new Intel Celeron chips, with speeds of 400MHz and 366MHz, would restore the company's leadership, Intel claimed.

"These processors are the first of many new low-cost PC desktop and mobile products from Intel in 1999, and they help reinforce Intel's leadership in this market segment worldwide," said Paul Otellini, executive vice president.

Later this week, Intel is expected to introduce a new version of its Xeon microprocessor for use in high-performance server computers. New chips for use in notebook computers are also due this month.

The raft of new Intel chips signal higher-performance and lower-cost PCs coming to market in the next few months.

They come as AMD, Intel's biggest rival, is planning to launch its next generation microprocessor within the next few weeks.

SOFTWARE INTERNET ACCESS ALTERNATIVES SLOW TO APPEAR

Spyglass shares plunge 30% on profits warning

By Louise Kehoe in San Francisco

Shares of Spyglass, a US developer of internet software for television and cellular telephones, fell 30 per cent yesterday after the company said it expected to report a loss for its first quarter, just ended. Wall Street had been expecting a modest profit.

The disappointing performance highlights the slower-than-expected emergence of internet access devices other than personal computers. The company's software enables users to access web pages or send and receive e-mail via specially-equipped television sets, or via "smart telephones".

Industry executives have predicted that by 2002 less than half of the devices linked to the internet will be computers, down from more than 95 per cent today.

Yet the market for these "non-PC" devices has yet to materialise, despite broad interest from TV cable companies, telephone manufacturers and consumer electronics groups.

Spyglass holds the rights to Mosaic, the original software for browsing the World Wide Web software, developed at the University of Illinois by programmers who went on to form Netscape Communications.

Faced with stiff competition from Netscape and Microsoft, Spyglass turned its attention to the market for non-PC devices.

The company aims to establish itself as the premier provider of browsers for this anticipated new generation of Internet devices.

Over the past few months, the company has announced agreements with Motorola, to provide browser software for television internet access, as well as with General Instruments to jointly develop technology for digital TV cable services.

Meanwhile yesterday Spyglass attributed its losses to "weakness in technology licensing revenues". Several deals had failed to close during the quarter, the company said.

Losses would be between 14 cents and 16 cents a share, compared with a loss of 28 cents a share in the same period a year ago.

Wall Street analysts had been predicting earnings of about 1 cent a share for the quarter.

In mid-session yesterday Spyglass shares fell $6 7/16, to $15 9/16, down from $22.

Anaemia therapy lifts Ariad

By Victoria Griffith in Boston

Shares in Ariad soared yesterday, after the biotechnology company reported a new application for gene therapy. By midday, Ariad's stock price had risen 68 per cent to $2.88 since its close on December 31, having peaked at $4.25 in early morning trading.

Investors were reacting to a report in Science magazine released after the market closed on New Year's Eve, that unveiled Ariad's successful use of a new form of gene therapy in experiments in primates. While Ariad's new technique could be applied to a number of different diseases, the Science experiments focused on treatment for anaemia. Amgen and Johnson & Johnson, which market best-selling anaemia drugs, fell slightly on the news.

Gene therapy, a process in which defective genes are replaced with healthy ones in human cells, emerged as a promising medical advance in the early 1990s. Despite initial enthusiasm, however, the technology has proved difficult to manage.

Scientists have struggled to find the best way to introduce get the healthy genes into target cells. A number of delivery mechanisms – including lipids and genetically altered viruses – have been tried. Yet cell entry has proved haphazard at best, making dosing problematic.

Ariad is working with a two-step approach that appears to resolve some of these dosing problems. Like many companies, the company uses inactive viruses to get its genes into cells. Yet Ariad equips these genes with a special triggering mechanism. Until the genes interact with a specific, orally administered molecule, they have no impact on the cell's activity. Pills containing the triggering molecule cause the genes to spring into action. This action gives doctors far more control over dosing.

For added safety, Ariad has also included a special agent causing cells to die quickly. This is considered important, since, if something goes wrong with the therapy, doctors need to be able to abort treatment.

Ariad's approach offers a key advantage over current protein therapies. Many proteins are now injected directly into patients for medical benefit. Gene therapy would allow the body's cells to begin to producing these proteins themselves.

BoNY to launch London outlet

By George Graham, Banking Editor

Bank of New York, the US bank and securities processing group, is to set up a brokerage in London to handle trades for European institutions dealing on 40 equity and bond markets.

BoNY's trading system will allow investors to enter orders through a PC and then see these trades executed and settled electronically.

Jeffrey Tessler, general manager of BoNY's securities services in Europe, said the new brokerage unit would extend the bank's services in securities processing, which has become one of its principal business lines.

The bank handles $4,900bn of assets as a custodian for investment managers and pension funds.

BoNY has recruited Dipak Rajani from Dresdner Kleinwort Benson to head its European dealing desk. He is joined by Gareth Jones, formerly of Brown, Shipley, the London merchant bank.

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German car makers bullish on US sales

INSURANCE CONTROLLING STAKE CLAIMED

AMP pushes ahead with GIO takeover

By Gwen Robinson in Sydney

AMP, the Australian insurance and funds management group, is set to proceed with Australia's largest – and most bitterly contested – hostile takeover bid: the A$3.3bn (US$2.02bn) offer for GIO Australia Holdings, one of Australia's largest general insurers.

The move follows AMP's successful bid last month for UK insurer, National Provident Institution, valued at £2.7bn (US$4.5bn), and highlights the group's aggressive expansion campaign at home and abroad.

After its offer closed on Monday, AMP said investors holding more than half of GIO's stock accepted its bid. The group said earlier that 40 per cent acceptance would deliver effective control.

AMP said it was too early to say whether most acceptances were for the cash offer of A$5.35 per GIO share, which valued the company at A$3.3bn, or for the scrip alternative of one AMP share for four GIO shares. AMP last month raised the value of its cash offer from $3bn to $3.3bn.

In a statement, AMP said a flood of late acceptances had delivered a controlling stake in GIO. George Trumbull, AMP chief executive, said: "While the offer has been vigorously contested by both sides, we trust the GIO board will now accept that a majority of GIO shareholders want AMP and GIO to come together."

GIO's board and management opposed the hostile bid, mounting legal challenges and running negative advertising campaigns. GIO also announced a special distribution of A$0.50 to shareholders.

The verbal hostilities continued last night. David Mortimer, GIO chairman, said the result could only be regarded as "very disappointing" for AMP, because it originally sought 100 per cent of the company.

AMP officials, however, said the GIO acquisition would provide AMP badly needed strength in its general insurance business in Australia and New Zealand, one of the few businesses in the group that has performed poorly.

GIO shares ended 1 cent lower at A$5.35, in line with AMP's cash bid.

AMP, meanwhile, jumped 23.5 cents to A$20.91, after declining since its NPI takeover bid on concerns about the group's ability to digest acquisitions of both NPI and GIO at the same time.

Monday also marked AMP's move to 100 per cent weighting in the Australian stock market's benchmark index, the All Ordinaries, from 80 per cent at the end of 1998. The group's phased entry into the index followed its successful float last June.

Foreign groups fuel ice cream wars in Vietnam

State-owned dairy company Vinamilk is facing a growing struggle for market share, writes **Jonathan Birchall**

Milking the market: consumption of milk products per head in Vietnam has grown rapidly in the 1990s

The buying patterns of the Vietnamese suggest they find it hard to resist the lure of foreign consumer brands. They would sooner drink a Coke or a Pepsi than the local Festi Cola and would puff a Marlboro cigarette rather than the domestic Vinataba brand.

When it comes to ice cream and other milk products, however, they are overwhelmingly loyal to state-owned dairy company, Vinamilk.

Claiming over two-thirds of the country's market for milk products, Vinamilk is regularly hailed in the official media as one of the state sector's few success stories.

As foreign dairy companies begin to target the Vietnamese market, however, Vinamilk is facing an uphill struggle to maintain its market share.

At stake is a relatively small, but expanding market. Average annual consumption of milk products per head in Vietnam stands at about three litres, up from less than a litre in the early 1990s, but still below even a modest five litres in China.

In common with other state-owned companies, Vinamilk does not publish financial figures. Nguyen Thanh Ha, deputy general director at the company's headquarters in Ho Chi Minh City, says its annual revenues last year were worth between $100m and $110m.

"It's obvious that a newcomer will take some market share," said Ms Ha. "Especially one with a foreign brand name, which Vietnamese customers will tend to prefer."

Ms Ha is one of a predominantly female management team at Vinamilk battling to fight off the foreign competition, which includes Unilever's Wall's brand and Foremost Dairy Company of the Netherlands.

Foremost, a subsidiary of Freisland, opened the competition when it began a few years ago operating a $30m joint-venture dairy near Ho Chi Minh City, producing condensed and powdered milk and drinking yoghurt. Last year, Unilever began producing Wall's ice-cream at a $22m plant, also in Ho Chi Minh City.

Rien De Groot, general-director of Vietnam Foremost Dairy, says Foremost has already taken a third of the market for tinned condensed milk in less than two years. In addition, Foremost already claims roughly half the market for the two powdered milk products it produces in Vietnam.

Foremost products are slightly more expensive than Vinamilk's, but Vietnamese consumers appear prepared to pay more for the foreign brand.

But the taste for foreign brands is not the only handicap facing the management team led by Madame Mai Kieu Lien, the only woman to head one of Vietnam's big state-owned corporations, and one of only a handful of women on the central committee of the Vietnamese communist party.

Madame Lien, Vinamilk director general, has supported proposals for the company to be allowed to join the government's slow-moving programme of partial privatisation. But in 1997, the government turned down a proposal to allow Vinamilk to sell foreign investors shares in one of the its three factories in Ho Chi Minh City, reflecting its desire to maintain control of profitable state-owned companies.

An attempt to work with Australia's Ausdairy on a $20m milk plant in the central city of Danang was also called off last year.

The management has not stood still as the newcomers syphon off Vinamilk's market share. After Foremost expanded the market for flavoured drinking yoghurt with its Yo-Most brand, Vinamilk brought out its own Yo-Milk brand last year.

It has also fought back by modernising the design of some of its packaging – rare for a Vietnamese state-owned company – and Ms Thanh talks of the need to widen the available product line.

As a state-owned company, Vinamilk enjoys some advantages. It has a grip on Vietnam's complex distribution network and pays only a fifth of the fees demanded from foreign companies for television advertising.

Without an injection of foreign capital or marketing skills, however, Vinamilk is having to fight alone to head off the growing competition.

Securities move by trading company

By Michiyo Nakamoto in Tokyo

Mitsubishi Corporation, one of Japan's leading trading companies, is setting up a securities brokerage and investment management subsidiary to take advantage of growing opportunities in the market following Big Bang financial deregulation.

Mitsubishi said the new company would have initial capital of Y5bn and a staff of about 30, and begin by managing Mitsubishi's own funds of Y400bn, including its pension fund, currently entrusted to trust banks and life insurance companies.

The trading company will apply for licences for its new subsidiary next month and hopes to begin operations in April.

The new company, which has yet to be named, will also sell an investment fund managed by Batterymarch, a fund management company based in Boston managing assets of $4.3bn, to Japanese institutional investors.

The trading company targeted financial services as a key business for expansion in a mid-term corporate plan to 2000. It already has a financial services group, including an in-house corporate investment department which aims to develop new financial products in areas such as securitisation and leasing.

Mitsubishi said it needed a marketing subsidiary to sell these products to institutional investors.

Malaysia banking takeover unveiled

By TJ Tasin Kuala Lumpur

Bank Negara, Malaysia's central bank, said yesterday it had taken over MBf Finance, the country's largest finance company, as part of efforts to strengthen the banking sector.

It is the second time in five years that the central bank has taken over a troubled financial institution. In 1994 it acquired the insolvent Rakyat Merchant Bankers, which it renamed BSN Merchant Bankers.

Bank Negara also said it had taken over Kewangan Bersatu, a smaller finance company.

The companies will operate as normal, with all deposits guaranteed by the government.

According to Bank Negara, MBf Finance was solvent but needed funds to restore its risk-weighted capital ratio to the required 8 per cent and ensure its viability. "The assumption of control is a pre-emptive action to putting MBf Finance on a stronger financial position," it said.

Unusually, the central bank has also appointed a new chief executive to "strengthen management".

According to bankers, the moves come after efforts to merge the finance companies with stronger financial institutions failed. MBf Finance was to have tied up with Commerce-Asset group, while Kewangan Bersatu was in talks with Hong Leong group.

Since the Asian financial crisis began in July 1997, Bank Negara has been trying to consolidate the banking sector by merging weak groups with stronger ones.

It is unclear whether Bank Negara would take over other financial institutions, although bankers said Bank Bumiputra Malaysia, a state-owned commercial bank, was a possible candidate.

The sector has been hit by substantial bad loans. At the end of September, non-performing loans were 12.8 per cent of total loans worth about M$419bn (US$110bn).

Asset Management Company, Malaysia's loan-recovery agency, is acquiring M$3.9bn in non-performing loans from MBf Finance.

The finance company has had problems getting loans from other financial institution since MBf Capital, its parent, reported huge first-half losses in October, largely due to the finance company's poor performance.

MBf Capital posted a net loss of M$509m in January-June 1998, compared with a net profit of M$178m a year earlier.

NEWS DIGEST

JAPAN

Itochu steps up pace of restructuring programme

Itochu, the Japanese trading company, is stepping up its restructuring programme by accelerating plans to reduce interest-bearing debt, cutting the number of board members and focusing on a smaller number of core businesses. Uichiro Niwa, president, said in a new year address that Itochu would streamline its management and focus its operations to prepare to shift to a holding company structure in April 2001.

The trading company will cut the number of directors from 45 to 10-15 by April 2000 and focus on information-related businesses, clothing, retail financial businesses, oil and gas development, engineering and food resource development.

The decision to reduce the number of directors underlines a growing trend among Japanese companies to streamline management to raise efficiency and improve competitiveness. The large number of directors at Japanese companies has often been cited as a cause of companies' inability to respond swiftly to changing market conditions.

Itochu hopes to reduce interest-bearing debt by 30 per cent by the end of March 2001. In an earlier plan, it said it wanted to reduce interest-bearing debt by Y500bn ($4.4bn), from Y5,300bn by the end of 2000. In common with other highly indebted Japanese trading companies, the high-level of its interest-bearing debt has put pressure on its credit-rating, lifting its cost of capital.

Itochu also aims to return to the black this year with a parent net profit of Y7bn following parent net losses of Y14.72bn. Group het profits are forecast at Y2bn, compared with net losses of Y91.93bn. It aims to post parent net profits of between Y20bn and Y25bn and group net profits of about Y40bn in the financial year starting April 2000. **Michiyo Nakamoto, Tokyo**

OIL

PTT to merge operations

PTT, Thailand's state-owned petroleum authority, plans to merge its downstream oil business with its refining unit, Thai Oil, and then float shares in the new entity. Prasert Bunsumpun, president of PTT Oil, said yesterday that the reorganisation was a "long-term plan" and would probably take three to four years to complete.

Mr Prasert was responding to inquiries over a report in the Thai daily Nation newspaper that the new entity, combining PTT Oil and Thai Oil, would be listed on the Stock Exchange of Thailand by 2002 or 2003. He said the merger would create a "lean and mean" organisation and strengthen competitiveness.

The new Thai downstream company would have combined assets of about Bt140bn ($3.9bn), and would benefit from reduced costs and less duplication.
Reuters, Bangkok

CARMAKING

Sales tumble at Korea groups

South Korea's carmakers yesterday revealed plunging sales figures for last year amid the worst economic recession for decades. Hyundai Motor, the biggest carmaker, reported sales down 29.4 per cent in 1998. Exports fell year-on-year by 4.9 per cent, while domestic sales plummetted 52.3 per cent.

Daewoo Motor fared a little better, seeing an overall sales drop of 7.8 per cent. Exports rose 20.4 per cent on the strength of robust sales of its Matiz mini-car. Domestic sales slumped 44.4 per cent. Financially-troubled Kia Motors, soon to be taken over by Hyundai, saw a 33 per cent drop in sales led by a 53.3 per cent fall among domestic buyers. Exports fell 10.9 per cent.

All three companies predicted sales increases this year, with the economy forecast to rebound in the second half. Hyundai predicted it would lift sales back over the 1m mark. But analysts expect private spending to remain flat as unemployment is still a big concern among consumers.

Ken Lee, research head at KEB Salomon Smith Barney Securities, said the industry would struggle this year despite the number of carmakers being cut from five to two. **John Larkin, Seoul**

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COMPANIES & FINANCE: EUROPE

MEDIA REORGANISATION IS AIMED AT ADDRESSING THE INCREASING FINANCIAL DEMANDS ON THE PRIVATELY OWNED BUSINESS

Kirch opens portals to outside investors

By Frederick Stüdemann in Bonn

Leo Kirch, the German broadcasting mogul, yesterday unveiled a restructuring plan which opens the door to outside investors to one of Europe's biggest media companies.

In a dramatic change of style, Mr Kirch announced the reorganisation of the privately held group into distinct business units in which outsiders will be offered stakes that could include shares quoted on the stock market.

On offer is a chance to take a stake in businesses whose activities include Europe's biggest TV film and programme rights library, stakes in broadcasting networks and newspaper companies, and the rights to the football World Cup competitions in 2002 and 2006.

The reorganisation is intended to provide an answer to two pressing problems facing Kirch. The first is the mortality of the company's 72-year-old founder and proprietor. The second is the group's desperate need for considerable amounts of money to pay for past and future expansion.

But as well as attempting to solve internal problems, the reorganisation is a significant development in Germany's growing media sector as it offers foreign investors a chance to enter the market.

In particular the restructuring is set to speed up talks between the Munich-based company and a group of international media magnates, including Rupert Murdoch, Silvio Berlusconi, and the Saudi prince Al-Waleed about taking stakes in the German business.

Dieter Hahn, Kirch managing director, yesterday said he expected talks with partners to be concluded within the next three months.

The arrival of such international players would significantly alter the balance in the German commercial broadcasting sector which, until now, has largely been split between Kirch and CLT-Ufa, the Luxembourg-based company in which the media group Bertelsmann holds a 40 per cent stake.

Mr Hahn said the reorganisation was a response to "the increasing [financial] demands on our business" and that it was a means of getting access to outside capital.

The group's finances have been battered by the steep costs of an ambitious plan to develop digital pay-TV in Germany which has been hampered by the European Commission.

Attempts to raise more money from banks or from outside partners have, until now, been held up by concern about Kirch's opaque corporate structure, its reluctance to divulge financial information and the fear that the company was too dependent on Mr Kirch.

The reorganisation appears to offer the best of both worlds. The creation of three business units – Kirch Media, Kirch PayTV and Taurus Beteiligungsgesellschaft – offers more clarity.

The legal structures of Kirch Media, which comprises the group's free-TV and rights distribution activities, and of Kirch PayTV will allow for outside investors to be brought in. Alternatively there can be a relatively quick conversion to full joint stock company status and thus initial public offering.

Taurus Beteiligungsgesellschaft, a holding company whose assets include a 40 per cent stake in Axel Springer, Germany's biggest newspaper publisher, will remain a wholly-owned subsidiary of Kirch.

The establishment of an intermediary holding company, called Struktura, which will hold at least majority stakes in the three units, retains Kirch's control of the business.

Hard-pressed SGS looks to its core to restore lost profits

World's largest test and inspection group has set itself rigorous performance targets which involve staff cuts, writes **William Hall**

Société Générale de Surveillance, the Switzerland-based group that is the world's biggest testing and inspection company, is facing one of the toughest tests in its 120-year history.

Profits have collapsed, the dividend has been axed and the group can no longer rely on its lucrative government contracts business, which provided three-quarters of last year's profits, to bail out underperforming operations.

The group has a new chairman, a new chief executive, and an almost completely new board of directors after Elisabeth Salina Amorini, a member of one of the company's founding families, was forced to step down as chairman in September.

SGS also has a new corporate strategy, which involves cutting up to 3,500 jobs, or 12 per cent of its staff, selling its GAB Robins insurance loss adjusting operation and ending its successful diversification into clinical testing.

It is a marked contrast with the situation a year ago, when SGS was emphasising its diversification into new areas, such as clinical testing, to offset the poor growth prospects of its older businesses. Now the group is re-emphasising its traditional core businesses. It wants to use the proceeds from planned divestments to reinvest in these units, rather than return the money to shareholders.

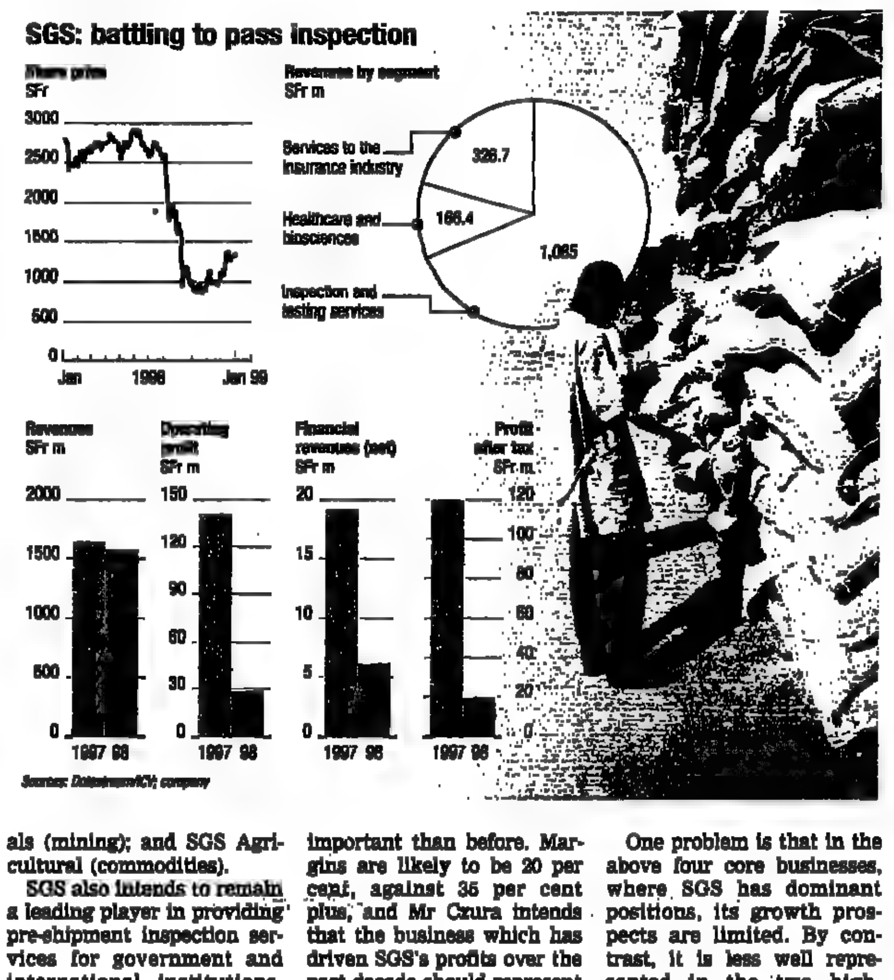
The new corporate strategy involves shrinking SGS's core revenues to SFr2.2bn ($1.6bn) and its workforce to 30,000, while leaving intact its global network of offices and testing laboratories in more than 140 countries.

After taking SFr430m of restructuring charges and provisions for risks on its government contracts business, SGS's equity will drop from SFr900m to about SFr500m at the end of 1998.

However, the group has no net debt, and has net liquidity of SFr100m. After losing SFr300m this year, it expects to earn between SFr75m and SFr100m in 1999. By 2001, it should be earning 20 per cent on its equity, which will have been considerably strengthened by the sale of GAB Robins, the world's number two loss adjuster, and the fast-growing clinical testing business.

Tony Czura, chief executive, says the new SGS aims to be the "clear global leader and innovator in verification, testing and certification services". He has identified six core businesses which hold the key to the restoration of SGS's profitability.

Three of these are SGS's traditional businesses, where it has market shares of between 20 per cent and 35 per cent – SGS Redwood (oil/gas/chemicals); SGS Minerals (mining); and SGS Agricultural (commodities).



Source: Datastream/ICV; company

SGS also intends to remain a leading player in providing pre-shipment inspection services for government and international institutions, where it has market share of more than 70 per cent. However, it will be far less important than before. Margins are likely to be 20 per cent, against 35 per cent plus, and Mr Czura intends that the business which has driven SGS's profits over the past decade should represent "a maximum one-sixth of whatever we do in terms of revenue and profitability".

One problem is that in the above four core businesses, where SGS has dominant positions, its growth prospects are limited. By contrast, it is less well represented in the two high-growth areas earmarked as core businesses – consumer product testing and certification of international business standards and quality.

Competitors such as France's Bureau Veritas and Intertek of the UK, have been growing much more quickly.

Mr Czura has introduced "far more rigorous performance criteria" which he expects to bear fruit soon. "When you look at other companies with similar activities with less strengths than ours, you see that they can generate significantly better margins than us. We should be able to beat them," he says.

SGS has had its ups and downs before. In 1981, when it was floated, most of its profits came from a Nigerian government inspection contract. It survived the ending of this contract, and the new management is confident it can restore SGS's former operating margins of 10 per cent plus.

However, were it not for the protection of a shareholder pool controlling nearly 50 per cent of SGS shares, the new management team might have been forced to take even more drastic action. As it is, it may need even deeper staff cuts if it is to regain its blue-chip image – a workforce of 30,000 still seems large for a business with core revenues of SFr2.2bn.

NEWS DIGEST

STEEL

Tenders sought from advisers for Katowice sale

The privatisation of Poland's giant state owned Huta Katowice steel mill took a step forward yesterday when the government opened a tender for an adviser for the sale. The call came after Emil Wasacz, the treasury minister responsible for the sale, said that he wants to complete the deal by the middle of the year.

Voest Alpine Stahl, the Austrian steelmaker, said recently it was suspending talks on the takeover of Huta Sedzimir, the country's other big mill, until the fate of the Katowice mill became clear. Voest Alpine, which is acting in concert with Hoogovens, the Dutch steelmaker, has an exclusive right to negotiate a deal with Sedzimir, which expires at the end of January.

The privatisation of the Katowice and Sedzimir mills is a key part of Poland's talks with the European Union on the future of Poland's steel industry.

The EU is insisting that Poland privatise the two mills and provide assurances that public funds will not be used to shore up their finances. Katowice and Sedzimir together need to spend about $1.5bn on their modernisation if they are to compete with western European mills.

British Steel has recently been negotiating the terms of a takeover with Huta Katowice management, which is being advised by ING Barings. Danieli, an Italian steelmaking machinery producer, and Voest are also in talking to Huta Katowice about making an investment.

The government is understood to be planning a closed tender confined to these three companies once a privatisation adviser has been chosen. The tender for an adviser closes on February 4. **Christopher Bobinski, Warsaw**

NORTH SEA OIL

Total sells stake in Conoco field

Total, the French oil company, *yesterday said it had sold its 11.5 per cent stake in* Murdoch, the North Sea gas field operated by Conoco, to Gaz de France (GdF), the state-owned gas distributor. The transaction is part of a long-term asset reshuffling agreement between the companies, aiming to improve the integration of their respective activities.

Last year, GdF bought a 24.9 per cent stake in Gaz de Strasbourg, a regional distribution operation in eastern France, from Total. The Murdoch deal boosts GdF's upstream activities. **Samer Iskander, Paris**

BANKING

MKB plans Budapest listing

The Hungarian Foreign Trade Bank (MKB), Hungary's second largest bank, plans to list on the Budapest Stock Exchange as soon as market conditions are favourable, a bank official said yesterday.

MKB is now 75 per cent held by Germany's Bayerische Landesbank Girozentrale. However the European Bank for Reconstruction and Development, which bought a 16.7 per cent stake in 1994, sold its stake in the spring of last year to BAWAG of Austria.

BAWAG has since sold part of this stake to Bayerische Landesbank, and now holds just over 10 per cent of MKB. **Kester Eddy, Budapest**

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com

Allianz bond option breaks fresh ground

By Andrew Bolger, Insurance Correspondent

Allianz, Germany's biggest insurance group, yesterday placed an innovative $150m international catastrophe bond option that provides coverage for wind, storm and hail risks written by its German subsidiaries.

International insurers are increasingly using capital market instruments to cover risks such as hurricanes in the US and Japan, but Allianz said this transaction represented the first large-scale catastrophe risk issue in Europe.

Goldman Sachs, the US investment bank, acted as sole placement agent.

The bond option secures a source of contingent reinsurance capacity for Allianz via the issuance of notes through Gemini Re, a special-purpose vehicle based in the Cayman Islands.

During the three-year option period, Allianz can cause Gemini Re to issue notes at a fixed rate if a pre-determined trigger event occurs.

The investors receive an annual fee in exchange for their commitment to purchase the notes. Once the option is activated, the principal and the interest of the notes are at risk for the three subsequent years.

"The option structure enjoys several distinct advantages that cannot be provided by a traditional catastrophe bond," said Detlev Bremkamp, an Allianz director. "Most importantly, it provides Allianz with contingent reinsurance capacity at a pre-agreed price, thus capping the volatility of future reinsurance costs following severe wind, storm or hail losses."

If reinsurance costs rise after a catastrophic loss year, Allianz said it would be able to transfer its second-year loss exposure to the capital market.

However, if reinsurance was available on a cost-effective basis, the group could continue to purchase protection through traditional reinsurance, rather than exercise the option.

Joachim Faber, a director of Allianz Insurance, said: "This capital market approach secures an alternative channel for insurance-linked risks at a competitive price. In the years to come, insurance-linked products should gather momentum in the capital markets and expand into a variety of new or hard-to-place risks."

The deal was structured by Allianz Risk Transfer, a Zurich-based arm of the group. Risk Management Solutions, a US-based company, provided the risk analysis, using its proprietary catastrophe modelling technology.

PwC fee income rises to $15.3bn

By Jim Kelly, Accountancy Correspondent

PwC, the world's biggest professional services firm, said yesterday that fee income had jumped 19.9 per cent to $15.3bn and forecast a stronger performance as it sought to build a worldwide legal services network.

The firm, formed last year by the merger of Price Waterhouse and Coopers & Lybrand, said a deal it had just completed in Spain to set up the country's second biggest legal practice was a model for future growth.

The announcement sets the stage for a worldwide race among the so-called Big Five firms to set up associated legal networks – a race so far led by Arthur Andersen.

The move is further evidence of the rapid transformation of the old "Big Six" accountancy firms into the "Big Five" professional services networks offering a range of services from corporate finance to human resource management.

Gerard Nicola, head of PwC's legal services, said: "PwC is committed to developing top quality legal practices across Europe, in Asia and the US.

"We are pursuing opportunities elsewhere in Europe and across the world for mergers similar to this deal in Spain. This merger is a model for what we expect to achieve in many other countries."

PwC said its legal practice in Spain had merged with Estudio Legal Abogados and parts of Mullerat & Roca to form an integrated firm with 500 professionals based in Madrid. A new name will be announced later this month.

The firm's global figures represent the performance of PW and Coopers' before the merger last July 1. Growth rates in the sector in 1997-98 have been between 15.6 and 23 per cent. PwC's nearest rival is Andersen Worldwide on $13.9bn.

However, Andersen Worldwide is engaged in a protracted divorce between its sister firms which is likely to result in it losing second place. In that case PwC's nearest rival is Ernst & Young on $10.9bn.

The merger which created PwC was partly driven by explosive growth in management consulting. Yesterday's figures showed that in the year to June 30 consulting income grew 41.5 per cent to $3.97bn – compared with traditional audit and accounting which grew 10 per cent to $6.77bn.

Prior to the merger both sides said they would not follow the example of Andersen Worldwide and Deloitte Touche Tohmatsu in creating stand-alone consulting businesses. KPMG has said it is considering a separate flotation of part of its consulting business.

PwC's biggest growth was in business process outsourcing – at 159 per cent to $40m – which will prompt speculation that it may follow others in the sector in hiving off this service from the rest of the partnership.

The strongest areas for growth in the new firm were North and South America, which grew by 24 per cent and 32 per cent respectively.

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COMPANIES & FINANCE: UK

OIL COMPLAINTS ABOUT LOW TRADING LEVEL FOR MERGED GROUP AND TIMING OF THE DEAL

Dealers criticise BP Amoco's opening price

By Jane Martinson

Fund managers and dealers complained yesterday about what they claimed was an "inaccurate" opening share price for BP Amoco, the merged oil group that became the largest single constituent of FTSE 100 index yesterday.

Several argued that the price set by FTSE International, which manages the indices and is part-owned by the Financial Times, had caused investors to lose money and led the FTSE 100 index to open at an artificially low level for the all-important start of the year. BP Amoco represents 8 per cent of the FTSE 100.

While some criticised the FTSE decision-makers, others blamed the timing of the deal, which was finalised during the volatile trading at the year-end. "Everything about this deal coming to market was a mess," said one London-based trader.

BP Amoco's shares were listed on the London Stock Exchange on December 31, following US regulatory approval of the merger of British Petroleum and Amoco of the US. But the UK market was closed because of preparations for the euro, leaving the separate shares of the two companies to be traded on the New York exchange for one day before dealing in the combined group started yesterday.

FTSE indicated last week that it would use last Friday's closing price for BP's American Depositary Receipts – each of which represents six London-listed BP shares – as the basis for the opening London price of Bp Amoco.

However, FTSE decided on Saturday that Friday's closing ADR price of $95 was unreliable because of a last-minute trading error. Instead, it used the last traded price of $90.75 to set the new London price of 911½p. Some 6.6m ADRs, worth $550m, were bought on Friday at the higher price.

FTSE, which said yesterday it had received "three or four" complaints, vigorously defended its decision. "We took the view that the closing price was overinflated. We believe that the price we chose was a far more accurate reflection," it said.

The FTSE decision was also supported by Barclays Global Investors, Europe's largest index tracker. Chris Sutton, head strategist, said: "We think [FTSE] had a difficult job to do and took a sensible decision in the light of that."

But one other index tracker was less impressed. "The FTSE actuaries have created an inaccurate market," he said. "This is a bit like the football pools panel sitting when lots of games have been cancelled and just making up the scores."

Surge in pre-Christmas mobile phones growth

By Alan Cane

The UK's four mobile phone operators connected 2.54m net new subscribers in the three months up to Christmas, as "pre-paid" packages – which demand neither contracts nor monthly rental charges – proved to be the season's most popular electronic present.

Last year, when pre-paid services were in their infancy, the four operators – Vodafone, Cellnet, Orange and One-2-One – attracted less than 750,000 new customers in the Christmas quarter. This year, Vodafone, the largest of the four, added 933,000 subscribers in the quarter – 596,000 in December alone.

Shares in Vodafone and Orange rose sharply yesterday, as did those of British Telecommunications (which has a majority stake in Cellnet) and Cable and Wireless (which owns half of One-2-One).

Vodafone closed 73p higher at £10.49 while Orange added 96p to 794½p – a gain of nearly 14 per cent. BT closed 33½p higher at 939p while C&W rose 17½p to 756½p.

Some 80 per cent of Vodafone's new subscribers opted for the pre-paid "Pay As You Talk" option. Chris Gent, Vodafone chief executive, said: "The astonishing success of pre-paid services around the world has rapidly accelerated the growth in mobile phone markets".

Peter Erskine, managing director of Cellnet, which put on 658,000 new subscribers in the quarter, said the "phenomenal quarter for the UK mobile phone industry" was a result of intense competition".

Graham Howe, finance director of Orange, which added 512,000 subscribers, said quality of network and customer service would be the key to subscriber loyalty.

Tim Samples, managing director of One-2-One, which attracted an extra 439,000 subscribers, said the group would be investing about £1m a day in the run-up to the millennium, and hinted that the cost of mobile calls would continue to fall.

There are now about 13m mobile phone users in the UK, more than 20 per cent of the population. Vodafone remains market leader with 4.87m customers, followed by Cellnet (4.04m), Orange (2.16m) and One-2-One (1.92m).

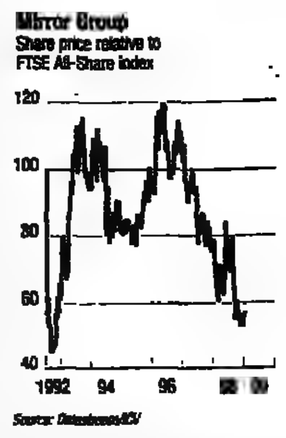
Vodafone also announced figures for overseas connections. It added more than 862,000 net new subscribers overseas, bringing its worldwide customer total to 9.1m – 77 per cent ahead of the 5.17m with which it started 1998.

COMMENT

Mirror Group

Seven years' bad luck have passed since the Maxwell debacle cracked the Mirror from side to side. Since the lifting of their seven-month suspension in July 1992, the newspaper group's shares have underperformed by over 40 per cent. Trading at a 50 per cent p/e discount at the end of the year, they were among the most lowly valued in the media sector. So it is no surprise that reports of venture capitalist interest sparked yesterday's 6 per cent rise. The pity is that even at 160p a share – 35 per cent lower than last May when Germany's Axel Springer contemplated a bid – the returns do not look overwhelming for buyers lacking synergies. Given taxed operating profits of £97m forecast for 1999, returns on a potential £1.4bn purchase price (including a 30 per cent premium and £500m net debt) barely scratch 7 per cent. Shareholders hoping for a bid to break the run of bad luck may be disappointed.

Mirror Group
Share price relative to FTSE All-Share index



Source: Datastream/ICV

UK building societies

Remember 1997 when five UK building societies turned into banks, showering about £30bn in cash and shares on to their customers? With eight more societies being challenged to convert, a superficial glance suggests a repeat performance. But a better guide looks to be the much less exciting £750m takeover of Birmingham Midshires by Halifax. About 70 per cent of former building society assets have already been converted. Of the 71 societies that remain, the biggest – Nationwide – is immune to another conversion vote until 2001. The next biggest, Bradford & Bingley, is less than half its size. As managing a medium-sized plc in a consolidating industry is hardly comfortable, those societies vulnerable to a pro-conversion vote would do better to seek a partner.

Assuming the buyers are banks, this would help rationalise an over-supplied sector. But even if all eight succumb, it would do little to stifle retail banking competition. While Nationwide is big enough to exert some pressure, the greater threat comes from new entrants, such as supermarkets and life assurers. Banks, which still enjoy surprisingly ample margins between saving and borrowing rates, have more to lose from customers shopping around than they have to gain from the disappearance of a few more building societies.

Job cuts criticised as 'macho gesture'

By Sheila Jones

Trade union leaders in northern England yesterday accused ICI of sacrificing jobs to appease shareholders following the collapse of talks with DuPont.

ICI yesterday announced that 1,000 jobs were being cut globally, most of them at the core paints and speciality chemicals divisions in the US and UK. About 500 jobs are being cut at the US decorative paints division, while about 420 jobs will go at plants in the UK.

The company said the cuts would reduce overheads and improve profitability and were not linked to the failure of talks with DuPont on the sale of its tioxide divisions. "The reductions would have been made anyway. The core has to continue to be profitable and cash generative so we have a healthy business for the future."

The cost of the measures is expected to be £120m ($200m), much of which will be in redundancy payments. ICI expects savings of £70m a year within two years.

Unions representing workers at ICI's plants in Warrington and Runcorn yesterday said they believed the job losses were a "macho gesture" to shareholders.

ICI said 200 jobs were being cut from its Crosfield speciality chemicals division, with about 120 going at its manufacturing site in Warrington, and the rest at other sites, including Brazil.

ICI said that while its European decorative paints operations were buoyant and its Asian division was holding up, trading conditions in North America were difficult and its business there was "underperforming".

Tioxide leak scuppers ICI disposals strategy

With the timetable for asset sales faltering, the company has been left with £4bn debt, writes **David Pilling**

Judging by the firmness of Charles Miller Smith's handshake and his relaxed body language yesterday, everything is fine at ICI in spite of the latest blow to its disposal strategy. But if one believes the markets, which knocked more than 5 per cent off the company's share price, ICI's chief executive has his head in the clouds.

"It's a disappointment, that's absolutely clear," conceded Mr Miller Smith after objections from the US Federal Trade Commission scuppered the deal to sell his company's tioxide businesses to DuPont and NL Industries. "It's a rebuff, a blow, but not a knockout."

From where Mr Miller Smith sits, ICI is still on track to transform itself from an old-fashioned producer of bulk chemicals into a high-margin speciality chemicals operation. This was to be achieved primarily by the acquisition of Unilever's speciality chemicals operations in 1997 for £4.7bn, followed by a raft of disposals to help cut the resulting debt.

In spite of the collapse of the tioxide sales – which, together with a related deal in Pakistan, would have been worth about £900m ($1.5bn) including debt – ICI had raised more than £3.5bn from 41 disposals over the past 18 months, he said. "We sought to do 44. Three got away. On my scoring card, an error rate of 10 per cent is not bad."

More important, said Mr Miller Smith, the core speciality chemicals business, particularly the units bought from Unilever, were performing well in a difficult environment. "The hard evidence is that the core strategy to change the character and nature of the business is working."

The problem is it may not be working fast enough. As its disposals timetable falters, ICI is left with a weighty net debt burden that stands at more than £4bn.

Although the company put a brave face on its financial position yesterday by pledging to maintain the full-year dividend at 32p, analysts said it was barely able to cover this payment, while its interest cover was just 1.7 times.

ICI also sought to bolster confidence in its underlying profitability yesterday by announcing a restructuring of its paints business as well as forecasting pre-tax profits for 1998 at £315m. This was at the upper end of recent market estimates, but a far cry from the £1bn some analysts had been predicting early last year.

During that time, the share price has not responded to Mr Miller Smith's continued assurances that everything is going according to plan. After reaching a high of £12.44 last May, it hit a low of 492p yesterday, down 29p on the day.

"The clock is ticking. All the time they're carrying this huge debt, it is eating into the value of the company," one analyst said. "The strategy is sensible, but they've run into bad luck on implementation."

Nor will it be easy to right the situation quickly. Sharp declines in bulk chemical prices, the strength of sterling and tough trading in Asia will make it difficult for ICI to find buyers at attractive prices for its remaining industrial chemicals and petrochemicals assets in the UK and abroad. Some observers have mentioned Millennium of the US or financial buyers as possible purchasers of the businesses, but all agree ICI faces an uphill struggle to secure deals. And market conditions hardly favour the flotation of individual units, proffered by ICI as a possible solution to the failure of the tioxide disposal.

With such little room for financial manoeuvre it could be hard to plough the necessary funds into developing core assets. If opportunities arise, ICI may not be in a position to take them.

Capital intensive non-core units must also be kept ticking over until buyers are found, though this might not happen before there is an upturn in bulk chemical prices or a drop in sterling. In the meantime, prospective buyers will be in a position to strike a tough bargain with a company extremely keen to unload assets.

The question is: does ICI have the resources and managerial capacity to develop its core speciality chemicals businesses while simultaneously servicing its substantial debts and trying to sell assets?

"We won't scrimp [on capital expenditure] in 1999 or 2000," said Mr Miller Smith. "But we have been very rigorous in making sure we have the right priorities."

Alan Spall, finance director, added: "If you're asking: what are the things that restrain the management from running the business? The answer is none."

Yet, Mr Miller Smith is aware that the markets are running out of patience. The restructuring announced yesterday of the decorative paints business is partly intended to address these concerns.

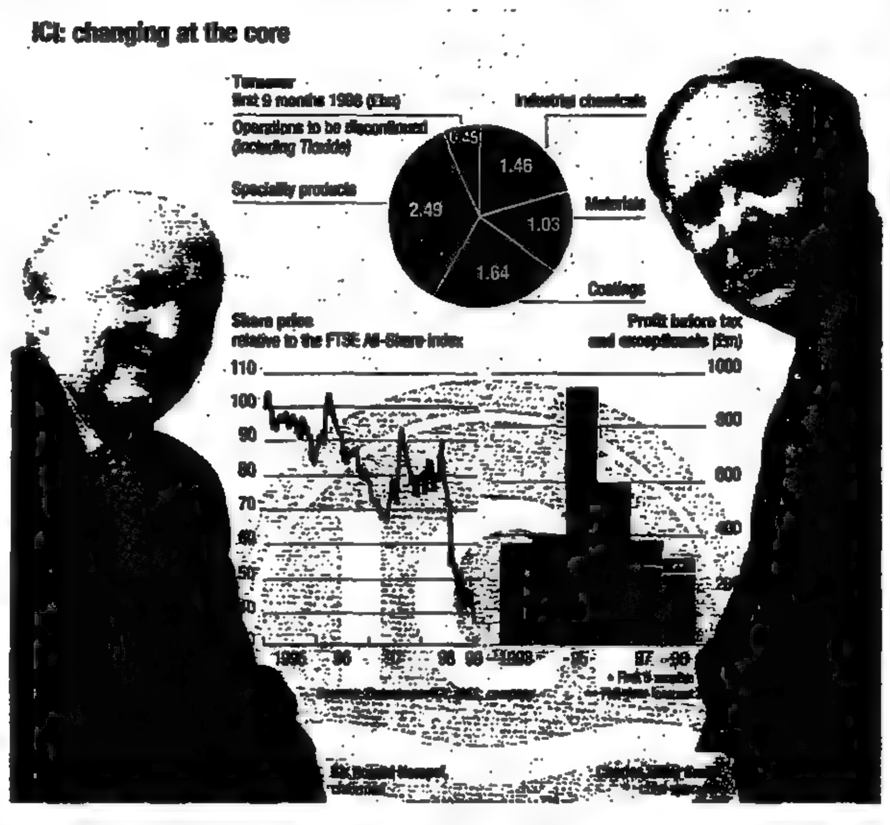
The performance in the US, in what is meant to be a core business, has been particularly disappointing.

But it is disposals that the markets are really seeking.

Mr Miller Smith, who acknowledged that the share price would probably flounder until there were some "sexy news on disposals" even hinted that he might be prepared to sell assets previously considered off-limits.

"We will deliver on disposals. Don't listen to those analysts who say we'll never sell another pound's worth of assets again."

ICI: changing at the core



PowerGen pays £95m for plants

By Andrew Taylor

PowerGen, Britain's third largest electricity generator, is paying £94.9m ($159m) for a dozen small plants in a deal that will double its combined heat and power generating capacity.

Most of the capacity, which is being acquired from Yorkshire CoGen, a subsidiary of Yorkshire Electricity, is gas fired, while the remainder burn oil.

The UK government recently imposed curbs on the construction of new gas-fired plant to protect coal sales to power stations until a more competitive system for electricity trading can be introduced. It believes current trading arrangements unfairly favour gas-fired generation. However, the government will give preference to combined heat and power schemes.

The acquired plants have a combined capacity of 176MW. PowerGen already owns five CHP plants, with 178MW of capacity. The purchase price, which does not include repayment of £46.4m inter-company borrowings, will be financed from existing debt facilities.

Yorkshire Electricity is owned by two US companies, New Century Energies and American Electric Power.

Kalon in $82m Polish deal

By Thorold Barker

Kalon, the UK paints group, has offered 10 zlotys a share in cash to acquire up to 60 per cent of Polifarb, the largest Polish coatings producer.

The offer, a 32 per cent premium to Polifarb's share price before Kalon's initial announcement on December 31, would value a 60 per cent stake at 285.6m zlotys ($82m). It is conditional on at least 20 per cent of shareholders accepting the offer.

Kalon already owns 5 per cent of Polifarb. Full take-up of the offer would take its stake to 65 per cent. Polifarb, which will retain its listing in Warsaw, made a pre-tax profit of 61.5m zlotys ($17.7m), from turnover of 559.5m zlotys ($161m) in 1997.

Mike Hennessy, Kalon's managing director, said the group would improve the performance of Polifarb by transferring its technology and expertise in sales and marketing. The deal will be financed from bank debt.

Mr Hennessy said the group would continue to look at acquisition opportunities in Europe. One might be to acquire Sigma-Lafarge, a paints business with about £700m of sales. It is 80 per cent owned by Petrofina, the Belgian oil company.

Competition regulator turns tough

By Deborah McGregor

The unwillingness of the Federal Trade Commission to sanction ICI's proposed disposal of its tioxide unit to DuPont and NL Industries reveals the US competition regulator's newly aggressive approach to deals that lack specific competition safeguards.

Officially the FTC declined to comment on the ICI case. But recent FTC decisions underscore the agency's growing determination to flex its anti-trust muscles.

While ICI and DuPont had tried to allay the FTC's concerns over concentration of market power by altering their original deal to include NL Industries, the commission remained unsatisfied.

A clue to the FTC's reasoning can be found in its recent approval of the union of BP and Amoco. The FTC voted unanimously to approve that deal after specific market protections were put in place, including the companies agreeing to sell 134 petrol stations and nine oil terminals.

Robert Pitofsky, FTC chairman, said he was satisfied that "the operations of these two companies rarely overlap in a way that threatens competition".

The FTC also showed its intention to expand its anti-trust powers two weeks ago when it sued Mylan Laboratories, the second-largest generic drug maker in the US, alleging that the company had tried to monopolise production of two popular anti-anxiety drugs.

By seeking $120m in its lawsuit, the FTC moved significantly beyond its normal market-guardian role to the active extraction of a monetary penalty from Mylan equal to the company's allegedly illegal gains.

These cases have unfolded against a broader backdrop in which Mr Pitofsky and his counterparts at the US justice department have been redefining competition policy with an eye to challenging anti-competitive practices more firmly than US regulators have for some time.

A hallmark of recent decisions is an emphasis on a detailed analysis of what constitutes a market.

Regulators no longer look simply at their overall market share. Markets are broken down into detailed segments, something which may have been a focus for the FTC in the ICI case involving the highly specialised tioxide market.

EURO STATISTICS

CHANGES

FT service evolves with new data

By Martin Dickson

Yesterday was an historic occasion in the world's financial markets – the first day of trading in the euro. Today's FT contains a range of new statistics which will track the fortunes of Europe's new currency and associated equity and bond markets. This page is designed to guide readers around the new data.

The coming of the euro means changes in four main areas of the paper's statistics: currencies; interest rates; European equities and bonds.

The FT's new data builds on the Euro Prices page which we established last May in anticipation of the new currency. This page, set up as the initial members of monetary union and their bilateral exchange rates were fixed, was designed to reflect the market stresses of the eight month transitional period to the euro's birth and the shift in investor thinking that would be required after January 1.

We created a synthetic euro, an artificial currency aimed at giving readers a broad indication of the value of the euro. For equities and bonds, we introduced new features to reflect the fact that after January 1 the euro-zone would become a single investment area rather than a collection of 11 separate countries.

For equities, we began publishing the FTSE Eurotop series of pan-European indices and the share price in ecus, forerunner to the euro, of the constituents of the FTSE Eurotop 300 index, which we listed by sector.

In bonds, we listed prices and yields of leading bonds already issued in euros and representative bonds from the euro-zone at various points of the credit curve.

With the birth of the new currency, the Euro Prices page remains the primary focus of our euro statistics, but it has been extensively updated. The synthetic euro has been replaced by a table of real spot and forward euro prices and transitional bond data has been replaced by a new table of benchmark euro-zone issues.

But the euro has meant changes, large and small, on many other statistical pages of the FT. In many tables the euro has taken the place of "legacy currencies" – the D-Mark, French franc etc – and in others it takes the place of the ecu.

Some of our changes are conditional. For example, in the derivatives field, some contracts in legacy currencies will continue until it is certain which will be the successful successor euro contracts.

The FT will be publishing a guide to the blue-chip companies of the new Europe. The book will cover the constituents of FTSE Eurotop 300 index and will include analysis on the leading companies and key statistical data on 300 groups across the region. Available in March, price £35 plus postage and packing. To order, phone: 44 (0) 171 538 1164

CURRENCIES

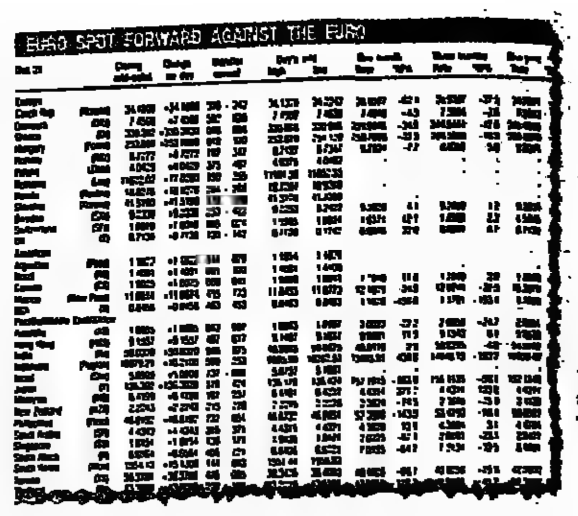
Real thing replaces the synthetic euro

The FT will publish daily a table showing the spot (immediate delivery) and forward (settlement at a future date) values for the euro against more than 30 of the world's main traded currencies.

This takes the place of the FT Synthetic Euro table, which we began publishing last May and was designed to give readers a rough guide to the likely value of the euro.

The new table will appear from Mondays to Fridays on the Euro Prices page and on Saturdays on the Currencies and Money page.

It has a similar design to the tables already published for sterling and the US dollar.



Reading left to right it shows: the country and its currency; its closing mid-point against the euro – the mid-point between the buying and selling prices; the change on the previous day's price; the bid/offer spread – a representative spread on the buying and selling prices at the close; and the highest and lowest prices of the mid-price during the day.

The columns one month, three months and one year cover prices on contracts struck for settlement that far ahead, or the prices implied by current interest rates.

The table does not include so-called "legacy currencies" – the currencies of the 11 members of the euro-zone, which are now simply national sub-units of the euro, with fixed values against the currency. These fixed values will be shown daily in a footnote to the table.

For sterling, which is often quoted only on a "certain for uncertain" basis against other currencies (so many $ per £) we are following the European central bankers' suggestion in this table and showing the euro on a "certain for uncertain" basis (so many £ per €).

The new currency has also meant revisions to the data on our Currencies and Money page. The euro replaces the ecu in the Pound Spot and Forward and Dollar Spot and Forward tables.

However, in these tables we are continuing to show values for the legacy currencies. This is because during the three-year transition to the introduction of euro notes and coins, many Europeans will continue to think in these currencies and will want readily available exchange rates for them. We will also continue to print an Exchange Cross-Rates table showing the euro and legacy currencies.

The euro replaces the D-Mark in the FT Guide to World Currencies, published on Mondays.

EQUITIES

Figures reflect trade in euro-zone

The coming of the euro means that from the start of this year the share prices of companies in Emu countries are quoted in euros and the euro-zone becomes a single investment area.

This is having a profound impact on investor perceptions. Fund managers are switching their focus from allocating assets to particular European countries to allocating them by industrial sector across Europe.

The FT's coverage is designed to reflect these trends. On the Euro Prices page we already publish the FTSE Eurotop series of equity indices, which are partly owned by the FT and are one of several groups of indices battling to become the European benchmark.

The Eurotop indices divide the investment universe by industrial sectors. Coincidentally, the committee which oversees the indices made some substantial changes to these categories in 1998. For example, the consumer goods and services sectors have been split into cyclical and non-cyclical categories.

FTSE Actuaries Share Indices — European series

Jan 4

National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1162.75	+0.00	+0.00	2.34	25.24	1197.00
FTSE Eurotop 100	9681.79	+0.00	+0.00	2.40	38.75	960.99
FTSE Eurobloc 100	964.67	+0.00	+0.00	2.15	15.03	979.13
FTSE EuroMid	1100.48	+0.00	+0.00	3.08	7.03	1140.70

The Euro Prices page also includes share price and other information on the 300 stocks which make up the Eurotop 300 index. Until now, the prices for these shares have been quoted in ecus, but from the start of this year they switch to euros. Their industrial classifications have also been modified, in line with the year-end committee changes.

On the World Stock Markets prices page, we have changed our European listings to create a separate euro-zone section for companies domiciled in Emu countries. These companies are now quoted in euros. Historic share price data have been converted to euros at the fixed rate set for each country on December 31.

However, we will continue to list companies on this page by country as investors will still attach considerable weight to a group's domicile. This is because growth rates, tax regimes and political factors will vary across the euro-zone, and many large European companies are headquartered outside the Emu area.

INTEREST RATES

Battle of the benchmarks

The FT will be showing several new interest rates for the Euro area. Two of them – Euro Libor and Euribor are battling to establish themselves as the reference benchmark for financial transactions in the euro-zone.

Euro Libor is the successor to the Ecu Libor rate determined daily by the British Bankers' Association, which has long provided the reference rates for most floating rate dollar and D-Mark transactions.

The rate is based on daily quotes from 16 international banks, with the highest and lowest four quotes being eliminated.

Euribor is a new continental challenger to Libor's supremacy and a number of European central banks have been campaigning behind the scenes for its adoption as the benchmark. Euribor will be calculated from a panel of 57, mostly European banks, with institutions from every Emu state included.

Within the euro-area, Euribor will in most cases be the designated successor to national currency price sources, except for overnight rates, which will be replaced by Eonia, the Euro Overnight Index average.

BONDS

Seven credit categories to be featured

The new currency is expected to lead to the creation of a large euro-zone bond market similar to that in the US. As in America, bonds in this market will be distinguished primarily by the creditworthiness of each borrower.

A new FT table, Euro-Zone Bonds, will capture the most salient features of this market. It will list broadly representative bonds in seven main credit categories. These comprise three general industrial sectors – utilities, financials and industrials – and four other categories: High yield, which covers bonds which do not have an investment grade credit rating; sovereigns, covering issues by governments; supra-nationals, covering issues by supra-national agencies; and German pfandbriefe.

Pfandbriefe, which form one of the largest single markets in the euro-zone, are bonds issued by mortgage and public sector banks and backed by mortgage loans or loans to the public sector. The bonds have extremely high credit ratings and the market is expected to receive a big boost from the advent of the euro. Under each category of issue, the Euro-Zone Bonds table will show, from left to right: name of issuer; redemption date of bond – when it matures and will be repaid; the bond's coupon – the nominal rate of interest it pays; how the bond is rated by Standard & Poor's, the credit rating agency; the latest bid price – a trader's buying price – for the security; the interest yield payable by the bond at the bid price; the day's change in yield; the month's change in yield; and in the last column the spread, or differential, between the yield on the bond and the yield on the benchmark Government euro-denominated bond. The euro also means significant changes on the International Capital Markets page.

EURO PRICES

EQUITIES

Debut euphoria lifts Europe's bourses

EUROPEAN OVERVIEW

By Vincent Boland

European stock markets roared ahead in celebration of the euro yesterday as the currency rose sharply against the US dollar in early trading. It was also the first day of the first phase of the proposed pan-European equity market alliance between the London and Frankfurt stock exchanges, although dealers said it had little noticeable effect.

Appropriately, the core German and French markets led the share price surge and others followed suit, but UK shares, not invited to the party, were subdued.

Analysts noted that investors who held back from the markets in the last days of 1998 were moving gingerly back in, although some cautioned the euphoria could be short-lived as the focus turned to Europe's immediate economic prospects and their impact on corporate earnings.

The FTSE Ebloc index of the euro-zone's top 100 companies rose 51.66 or 5.17 per cent to 1,051.61, while broader indices reflected the UK's relative weakness. The FTSE Eurotop index of pan-European companies rose 32.07 or 2.71 per cent to 1,214.04, while the FTSE Eurotop 100 index rose 82.54 or 3.03 per cent to 2,804.15.

One of the star performers was the telecommunications sector, which rose 6.5 per cent. Analysts said a combination of possible increases in interconnection fees for Deutsche Telekom, a desire among investors to increase their weighting to the sector, and the wave of US telecoms mergers the latest being Bell Atlantic and AirTouch pushed European telecoms shares higher.

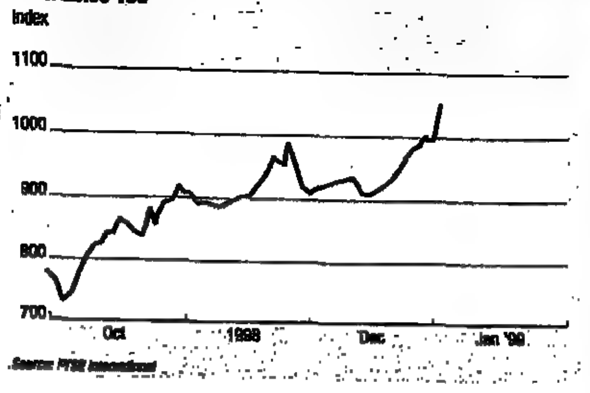
Shares in the German state carrier rose €4.40 to €32.43, providing the catalyst for other national telecoms groups. France Telecom rose €5.70 to €73.30, KPN rose €5.70 to €48.25, and Telefónica of Spain rose €2.90 to €40.82.

Banks were another firm feature on the view that the arrival of the euro would boost the sector's consolidation across Europe. The biggest gainers were stocks considered likely candidates for takeover or merger, including Société Générale, which gained €12.20 to €150.

Automobiles benefited from the boost to consumer confidence the euro is supposed to bring. The sector rose 5.47 per cent, led by Volkswagen, up €7.30 at €75.20, and BMW, €48 higher at €690.50.

FTSE Ebloc 100

Index



Source: FTSE International

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Jan 4

National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1214.04	+2.71	+32.07	2.24	0.07	1250.16
FTSE Eurotop 100	2804.15	+3.03	+82.54	2.28	0.18	1005.23
FTSE Ebloc 100	1051.61	+5.17	+51.66	1.98	0.00	1067.46
FTSE EuroMid	1165.86	+2.24	+25.54	2.84	0.08	[illegible]
FTSE EuroMid Ebloc	1250.66	+2.69	+32.82	2.24	0.00	1277.15
FTSE EuroMid Ex UK	1254.32	[illegible]	+42.86	2.16	0.00	1277.55
FTSE Eurotop 300 Regions						
Eurobloc	1313.71	+4.95	+61.91	[illegible]	0.00	1341.02
UK	1074.24	−1.17	−12.67	2.80	0.21	[illegible]
Europe Ex-Eurobloc	1125.86	[illegible]	[illegible]	2.59	[illegible]	1166.28
Europe Ex-UK	1283.72	+4.63	[illegible]	1.98	[illegible]	1317.93
FTSE Eurotop Industry Sectors						
RESOURCES	870.65	[illegible]	+7.71	3.27	0.00	910.45
Mining	725.56	[illegible]	−3.31	4.70	0.00	740.88
Oil & Gas	843.89	+0.94	+7.87	3.22	0.00	864.33
BASIC INDUSTRIES	1098.87	[illegible]	+32.49	2.83	0.00	[illegible]
Chemicals	870.80	+3.47	[illegible]	2.57	0.00	886.18
Construction & Bld Matls	917.51	+2.34	+20.97	2.51	0.00	925.43
Forestry & Paper	889.16	[illegible]	+6.22	3.52	0.00	908.90
GENERAL INDUSTRIALS	1107.77	+3.88	+41.39	2.55	0.00	1131.33
Aerospace & Defence	865.79	−1.07	−9.35	1.83	0.00	877.74
Diversified Industrials	[illegible]	+4.80	+47.76	1.92	0.00	1065.63
Electronic & Elect Equip	957.10	+2.14	[illegible]	1.87	0.00	982.32
Engineering & Machinery	925.17	+5.72	+50.03	4.63	0.00	937.94
CYCLICAL CONS GOODS	1292.32	+5.25	+64.46	2.53	0.00	1327.86
Automobiles	972.35	+5.47	+50.41	2.38	0.00	981.37
Household Goods & Texts	1170.88	+3.99	+44.80	3.48	0.00	1180.85
NON-CYC CONS GOODS	1250.77	[illegible]	[illegible]	1.44	0.00	1285.18
Beverages	950.15	−0.73	−6.99	2.77	0.00	970.66
Food Producers & Procsrs	1001.04	−0.13	−1.32	1.53	0.00	[illegible]
Health	931.02	+0.31	+2.87	5.90	0.00	944.94
Packaging	776.45	+1.57	+11.97	1.16	0.00	777.42
Personal Care & Hse Prods	[illegible]	+7.41	+83.39	0.80	0.00	1219.88
Pharmaceuticals	1119.06	+2.66	+29.05	1.12	0.00	[illegible]
Tobacco	1245.29	−2.05	[illegible]	3.70	0.00	1259.01
CYCLICAL SERVICES	[illegible]	[illegible]	−3.66	2.49	0.37	1245.15
Distributors	778.84	[illegible]	−34.47	3.79	0.00	787.59
General Retailers	1042.56	+0.13	+1.30	2.98	[illegible]	[illegible]
Leisure Entertmt & Hotels	776.13	−2.68	−21.34	2.58	6.02	791.25
Media & Photography	1022.28	[illegible]	+3.94	2.23	0.00	[illegible]
Paper, Pckg & Printing	761.33	−3.15	−25.01	3.58	0.00	783.57
Support Services	1073.98	+1.70	+17.99	1.38	0.00	1065.35
Transport	934.10	[illegible]	[illegible]	2.82	0.00	951.32
NON-CYCLICAL SERVS	[illegible]	+5.03	+61.04	1.57	0.00	1311.40
Food & Drug Retailers	[illegible]	−0.56	−5.89	1.96	0.00	1054.45
Telecommunications Servs	1245.28	+6.50	+75.97	1.48	0.00	1263.83
UTILITIES	[illegible]	+1.35	+20.21	2.90	0.02	[illegible]
Electricity	[illegible]	[illegible]	[illegible]	2.89	0.02	[illegible]
Gas Distribution	1199.17	−1.32	−16.05	1.55	0.00	1320.35
Water	983.92	[illegible]	−35.92	5.14	0.00	995.01
FINANCIALS	1308.06	+3.17	+40.23	2.49	0.00	1343.76
Banks	882.40	+2.58	+22.22	3.29	0.00	894.94
Insurance	1063.85	[illegible]	+50.18	1.30	0.00	1076.69
Life Assurance	1224.25	[illegible]	+14.33	[illegible]	0.00	1240.14
Investment Companies	989.94	−0.27	−2.66	1.61	0.00	1013.68
Real Estate	630.36	−0.75	−4.78	3.75	0.00	646.95
Specialty & Other Fin	879.81	+4.39	+36.91	2.85	0.00	891.45
INFORMATION TECH	872.89	+2.37	+20.20	1.17	0.00	874.97
Information Tech Hardware	869.11	+4.27	[illegible]	1.46	0.00	891.22
Software & Computer Serv	836.06	−1.95	−16.63	0.45	0.00	836.05

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■ THREE MONTH EURO FUTURES (LIFFE) Euribor points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan	[illegible]	[illegible]	[illegible]			0	0
Jun	[illegible]	[illegible]	[illegible]			0	2233
Sep	[illegible]	[illegible]	[illegible]			0	1101
Dec	[illegible]	[illegible]	[illegible]			0	[illegible]

■ THREE MONTH EURO OPTIONS (LIFFE) Euribor points of 100%

[illegible]

■ FTSE EUROTOP 100 INDEX FUTURES (LIFFE) Eur20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) Eur10 per index point

[illegible]

OTHER INDICES

[illegible]

FTSE EUROTOP 300

[illegible]

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

Jan 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA
Europe												
Czech Rep.	(Koruna)	35.0537	-	300 - 773	35.4930	34.6120	35.2581	−6.9	35.5742	−5.9	36.8630	−5.2
Denmark	(DKr)	7.4508	-	469 - 547	7.4972	7.4400	[illegible]	−0.9	[illegible]	−0.8	7.5090	−0.8
Greece	(Dr)	326.738	-	624 - 852	334.370	325.488	328.9704	[illegible]	332.8092	−7.4	348.4631	−6.6
Hungary	(Forint)	251.236	-	099 - 373	255.500	250.650	254.3761	−15.0	259.4713	−13.1	283.4834	−12.8
Norway	(NKr)	8.8523	-	478 - 567	8.9416	8.8230	8.8923	−5.4	8.9561	−4.7	9.1484	−3.3
Poland	(Zloty)	4.0689	-	652 - 725	[illegible]	4.0580	-	-	-	-	-	-
Romania	(Leu)	13108.69	-	457 - 271	13125.0	13003.0	-	-	-	-	-	-
Russia	(Rouble)	25.3208	-	265 - 150	26.4170	25.2856	-	-	-	-	-	-
Slovakia	(Koruna)	43.0145	-	647 - 642	43.0700	42.9545	-	-	-	-	-	-
Sweden	(SKr)	9.4752	-	708 - 797	9.6069	9.4283	9.4774	−0.3	9.4812	−0.3	9.5050	[illegible]
Switzerland	(SFr)	1.6145	-	137 - 152	1.6303	1.6051	1.6114	2.3	1.6075	1.7	[illegible]	[illegible]
UK	(£)	0.7109	-	106 - 111	0.7245	0.7020	0.7128	−3.2	[illegible]	−2.8	0.7275	−2.3
Americas												
Argentina	(Peso)	1.1798	-	795 - 800	1.1911	1.1698	-	-	-	-	-	-
Brazil	(R$)	1.4244	-	238 - 249	1.4384	1.4122	-	-	-	-	-	-
Canada	(C$)	1.7995	-	986 - 004	1.8210	1.7886	1.8024	−1.9	1.8075	−1.8	1.8301	−1.7
Mexico	(New Peso)	11.6102	-	023 - 181	11.7224	11.5011	11.9193	−31.9	12.4324	[illegible]	14.8635	−28.0
USA	($)	[illegible]	-	797 - 801	1.1918	1.1700	1.1819	−2.0	1.1854	−1.9	1.2026	−1.9
Pacific/Middle East/Africa												
Australia	(A$)	1.9066	-	055 - 077	1.9291	[illegible]	[illegible]	−1.6	[illegible]	−1.5	1.9366	−1.6
Hong Kong	(HK$)	9.1401	-	380 - 422	9.2067	9.0607	9.1564	−2.1	9.1908	−2.2	9.4502	−3.4
India	(Rs)	50.2151	-	021 - 280	50.7196	49.6899	50.5298	−7.5	51.1818	−7.7	55.3564	−10.2
Indonesia	(Rupiah)	9439.22	-	963 - 881	9470.00	9300.00	9720.99	−35.8	10239.36	[illegible]	11985.46	−26.8
Israel	(Shk)	4.8754	-	671 - 837	4.9589	4.5201	-	-	-	-	-	-
Japan	(Y)	132.910	-	858 - 962	135.500	132.100	132.5526	3.2	131.9442	2.9	129.2681	2.7
Malaysia	(M$)	4.4837	-	058 - 079	4.5266	4.4461	-	-	-	-	-	-
New Zealand	(NZ$)	2.2227	-	212 - 241	2.2510	2.2100	2.2252	−1.3	2.2312	−1.5	2.2647	−1.9
Philippines	(Peso)	45.4852	-	005 - 699	46.1033	44.9280	45.9208	−11.5	46.7507	−11.1	50.7075	−11.5
Saudi Arabia	(SR)	4.4256	-	245 - 266	4.4683	4.3882	4.4388	[illegible]	4.4668	−3.7	4.5844	[illegible]
Singapore	(S$)	1.9585	-	571 - 598	1.9673	1.9345	1.9559	1.6	1.9529	1.1	1.9548	[illegible]
South Africa	(R)	6.9364	-	335 - 393	7.0200	6.8468	[illegible]	−14.4	7.1682	−13.4	7.8642	−13.2
South Korea	(Won)	1399.66	-	794 - 137	1425.99	1395.99	-	-	-	-	-	-
Taiwan	(T$)	37.9338	-	979 - 697	38.3790	37.6960	37.9975	−2.0	38.1596	[illegible]	38.9657	−2.8
Thailand	(Bt)	42.7124	-	462 - 786	43.7571	42.3816	42.8963	−5.2	43.1741	−4.3	[illegible]	−4.9
UAE	(Dirham)	4.3337	-	327 - 346	4.3350	4.3320	4.3419	−2.3	4.3569	−2.1	4.4307	−2.2

Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark [illegible], Irish Punt [illegible], Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, mid spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.

BONDS

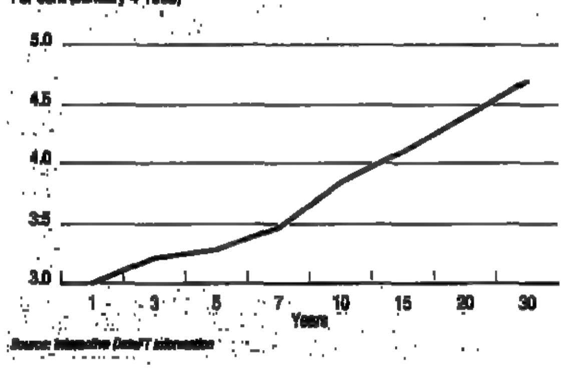
INTEREST RATE SWAPS

Jan 04	Euro-E Bid	Euro-E Ask	Euro-L Bid	Euro-L Ask	£ Stlg Bid	£ Stlg Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.20	3.23	3.20	3.24	6.22	6.25	4.95	4.98	0.43	0.46
2 year	3.23	3.27	3.24	[illegible]	5.46	5.49	4.98	5.01	0.54	0.57
3 year	3.32	3.37	3.34	3.38	5.44	5.48	5.06	5.09	0.69	0.72
4 year	3.44	3.50	3.47	3.51	5.44	5.48	5.11	5.14	0.85	0.88
5 year	3.66	[illegible]	3.62	3.66	5.43	5.47	5.16	5.19	1.01	1.04
6 year	3.69	3.80	3.77	3.81	5.41	5.45	[illegible]	5.26	1.14	1.17
7 year	3.82	3.96	3.93	3.97	5.41	5.45	5.28	5.31	1.28	1.31
8 year	3.95	4.12	[illegible]	[illegible]	5.41	5.45	5.33	5.36	1.41	[illegible]
9 year	4.06	4.25	4.22	4.26	5.41	5.46	5.39	5.42	[illegible]	1.56
10 year	[illegible]	4.34	4.31	4.35	5.41	5.45	5.44	5.47	1.65	1.68
12 year	4.31	4.50	4.47	4.51	5.40	5.45	5.51	5.54	1.88	1.92
15 year	4.51	4.69	4.66	4.70	5.39	5.45	5.62	[illegible]	2.13	2.17
20 year	4.70	4.89	4.85	4.90	5.38	5.45	5.71	[illegible]	2.34	2.39
25 year	4.80	4.99	4.96	5.00	5.37	5.44	5.71	5.70	2.41	[illegible]
30 year	4.86	5.08	5.03	5.07	5.38	5.44	5.71	5.70	2.48	2.53

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor. £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor. Euro quoted on annual bond 30/360 basis against 6 month Euribor and Libor with the exception of the 1 year rate which is quoted against 3 months Euribor and Libor. Source: Intercapital Brokers Ltd.

Euro bond yield curve

Per cent (January 4 1999)



Source: Interactive Data/FT Information

EURO-ZONE BONDS

Jan 04	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ SOVEREIGNS								
UK	01/01	4.250	AAA	[illegible]	3.39	−0.08	−0.17	+0.15
Denmark	01/02	4.750	AA+	103.851	3.38	−0.05	[illegible]	+0.17
Sweden	02/01	5.000	AA+	103.354	3.31	−0.06	+0.11	+0.17
Greece	11/08	6.750	BBB	114.874	4.46	−0.08	−0.12	+0.89
■ SUPRANATIONALS								
ADB	10/07	5.500	AAA	109.298	4.21	−0.08	−0.17	+0.62
EIB	04/08	5.000	AAA	108.221	3.92	−0.09	−0.17	+0.20
Eurofima	12/09	5.625	AAA	110.883	4.35	−0.09	−0.15	[illegible]
World Bank	04/05	7.125	AAA	118.576	3.74	[illegible]	+0.05	[illegible]
■ UTILITIES								
EDF	10/03	3.750	n/a	100.923	3.53	[illegible]	−0.13	+0.29
TEPCO	02/03	4.750	AA	103.497	3.82	−0.05	+0.10	+0.58
Quebec Hydro	03/08	6.375	A+	106.075	4.55	−0.08	−0.12	+0.83
Norsk Hydro	10/09	7.250	n/a	102.840	3.55	−0.07	+0.03	+0.84
■ FINANCIALS								
Bad Wurtt	02/10	5.375	AAA	109.587	4.27	−0.08	−0.17	+0.37
DKB	09/07	[illegible]	[illegible]	112.376	4.03	−0.06	−0.22	+0.44
Credit Local	04/08	5.250	AA+	107.856	4.21	−0.06	−0.21	+0.49
Abbey Natl	01/08	[illegible]	AA−	102.801	4.64	−0.10	−0.21	+0.80
■ INDUSTRIALS								
Unilever	[illegible]	[illegible]	AAA	104.301	3.46	−0.05	−0.09	+0.32
McDonalds	03/06	5.125	AA	109.156	3.81	−0.09	−0.19	+0.18
Philip Morris	08/08	[illegible]	A	105.780	4.84	−0.09	−0.34	+1.12
BAT Int Fn	07/08	5.375	n/a	101.699	5.09	−0.05	+0.06	+1.82
■ PFANDBRIEFE								
Rhein Hypo	12/01	5.000	n/a	106.872	3.41	−0.09	−0.12	+0.27
FHC	01/04	5.000	n/a	106.325	3.60	−0.11	−0.18	+0.32
Bayer Vereins	01/08	6.000	n/a	113.183	3.83	−0.14	−0.21	+0.38
Depfa	07/08	4.750	n/a	104.672	4.12	−0.13	−0.23	+0.40
■ HIGH YIELD								
Sabena	04/07	10.125	n/a	109.160	8.24	−0.17	−0.36	+4.86
Colt Telecom	11/07	8.875	n/a	101.200	8.68	+0.00	+0.08	+4.09
Impress Metal	05/07	8.875	B	110.131	7.72	−0.04	+0.07	+4.13
Remy Cointreau	07/05	10.000	B+	93.000	11.56	−0.06	−1.32	+8.19

Standard & Poor's ratings. Source: Interactive Data/FT Information.

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INTERNATIONAL CAPITAL MARKETS

Stability the watchword in Europe

BENCHMARK BONDS

By Rahul Jacob and Edward Luce in London and John Labate in New York

Stability and caution were the watchwords for government bond markets in Europe on the first full day of trading since the euro was launched last Friday.

Volumes in all leading government bond markets were low and traders reported little in the way of capital flows from large investors in Japan and the US.

Turnover on leading derivatives contracts was even lower: The London International Financial Futures and Options Exchange reported no trading in its five-year and 10-year euro swaps futures, the so-called Libor-FinancedBonds.

According to the International Securities Markets Association there was a total of 2,630 euro-denominated trades worth €34.5bn reported through its Drax trade matching and reporting system yesterday, a relatively low figure.

However, economists expect activity in all euro-denominated markets to pick up in the next few days.

"There is going to be quite a lot of volatility between the spreads of the leading euro-zone bonds as European investors start to push their money outside of their domestic markets," said Ifty Islam at Deutsche Bank in London.

In spite of thin trading, government bond prices nudged higher in most markets, helped by weak economic data out of Italy and Germany.

"It all adds up to scope for further interest rates cuts in euroland " said Andrew Bevan, senior bond economist with Goldman Sachs.

The new data, coupled with the euro's initial strength on the foreign exchange market, increased hopes that the European Central Bank will cut interest rates at its next meeting this week. Ten-year German bunds rose more than a point in the futures market to a record 117.03.

"As markets recognise that the euro is finally here, that will mean greater flows into European assets in the next few days. 'Europhoria' will continue," said Morgan Stanley's Ravi Bulchandani.

In the UK, a purchasing managers survey suggested the downturn in the manufacturing sector may be flattening out, but the gilts market appears to have factored in a rate cut this Thursday when the Bank of England next meets.

Ten-year UK gilts rose 0.56 to close at 119.64 in London. "If there is no rate cut this week, that would be a surprise," said Bulchandani.

US Treasury prices had plunged by early afternoon as the dollar weakened against the yen and stocks on Wall Street rallied throughout the morning session. The 30-year Treasury bond had lost 1 1/32 by midday to 101 3/32, sending the yield up to 5.165 per cent.

"There's certainly pressure on the dollar/yen [rate] on repatriation of funds in Japan," said David Ging, market strategist at Donaldson, Lufkin & Jenrette in New York.

S&P cuts NTT debt rating to AA+

By Khozem Merchant

Standard & Poor's, the US credit agency, yesterday downgraded the credit rating of Nippon Telegraph and Telephone, the second largest telecommunications company in the world.

S&P lowered NTT's rating from AAA to AA+, a blow to Japan's largest telecoms company. It also removed the rating from CreditWatch.

The move follows S&P's downgrading of nine leading Japanese banks last month and is the latest indication of difficulties in Japan's recession-hit economy.

However, S&P has resisted following its rival Moody's Investors Service in downgrading Japan's sovereign rating. In November, Moody's downgraded Japan's foreign currency and yen debt to Aa1, one notch below the Aaa status it has enjoyed in recent years. Most OECD countries are rated Aaa.

NTT's downgrading follows the successful stock market listing in October of its subsidiary NTT DoCoMo, Japan's biggest cellular phone company. The initial public offering totalled $18.4bn, the largest capital-raising exercise of its kind.

S&P downgraded NTT because of the "increasing strain on its operating and financial performance under difficult economic conditions and mounting competition".

NTT faces a slowdown in earnings from fixed-line telecoms, its biggest business area, because of the demand for cellular phones since liberalisation. More than half Japan's population of 125m are expected to own a handset by 2005.

NTT is likely to face stiffer competition as deregulation opens up the market.

JGB yields soar on fears of oversupply

By Naoko Nakamae in Tokyo

Japanese government bond yields have surged amid the increasing likelihood of a severe mismatch in supply and demand. Last week, the yield on the 10-year benchmark bond closed the year at 2.01 per cent – the first time it had exceeded 2 per cent in more than 15 months.

Yesterday, it ended the first trading day of 1999 little changed, issue rising just 0.02 basis points to 1.99 per cent. This was almost triple last September's all-time low of 0.67 per cent.

Yields have soared recently amid fears of massive oversupply. Market concerns rose when it emerged that there would be record issuance this year to finance the Y81,860bn budget as the government tries to repair the economy.

"[Yesterday's] trading was a great reflection of what is happening in the market right now," said Atsushi Mizuno, chief fixed-income strategist at Deutsche Securities in Tokyo. "The tumbling stock market initially led to a JGB rally, but at the end of the session, yields had barely fallen. It shows just how bad the environment for JGBs is at the moment.

"But it's also a good reflection of what's happening in the economy. JGBs fell towards the end of trading because a lot of banks were taking profits on the slight rise in prices."

Japanese banks hold an estimated Y15,000bn of JGBs, which generated large gains in the first half of fiscal 1998, accounting for more than a quarter of the sector's operating profits in the period.

"But the recent fall in bond prices has hit one of their few profitable portfolios while they are under pressure to raise money. The Financial Supervisory Agency's recent audit of the major banks has resulted in their having to increase problem loan reserves. And with year-end results just around the corner, many can't afford to risk bond prices falling further, so they're likely to sell on any upswing," Mr Mizuno added.

Long-term interest rates have fallen over the past four years to a record low of 0.25 per cent last September. However, JGB yields shot up in late 1998, as government attempts to stimulate a flagging economy led to a larger-than-expected budget deficit.

Concern mounted when investors realised public institutions might reduce their investments. In particular, the Trust Fund Bureau, a state institution that manages money collected by the state-owned postal savings system, had helped ease the national debt by using its Y400,000bn of funds to buy government bonds. But late last year, ministers sent prices tumbling again when they said the TFB would halt outright purchases of domestic government bonds.

The statement followed earlier indications by the Ministry of Finance that public institutions would acquire only about 18 per cent of the Y70,000bn of JGB issues planned in 1999-2000.

JGBs suffered a further blow when Masaru Hayami, Bank of Japan governor, said it was "not natural" for the central bank to be holding Y50,000bn of them.

Flurry of mainly small offerings

NEW ISSUES

By Khozem Merchant

A flurry of mostly small issues marked the first day's trading in the unified euro-zone capital market but euro-denominated issuance was modest ahead of the forecast deluge next week.

However, there was a raft of bonds in a wide variety of other currencies.

The World Bank launched a $1bn bond likely to be priced today at 52 basis points over the relevant 10-year US Treasury. It also issued small bonds in the South African rand, the Czech koruna and the euro. The market also saw issuance in Greek drachma, and New Zealand, Canadian and Australian dollars.

The biggest euro bond was issued by Allgemeine Hypothekenbank, a German public-sector bank, which launched a 10-year €2.5bn pfandbriefe bond priced at 39.5 basis points over the relevant bund.

Pfandbriefe – bonds issued to refinance domestic mortgages or public projects – are structured towards the German market.

The prize, therefore, for the international euro issue of the day went to DSL, a German public-sector bank, which issued a €500m add-on to a five-year €1bn bond launched in December.

DSL also issued a five-year $500m bond priced at 65 basis points over the five-year US Treasury.

LBW Capital Markets made its debut with a $500m five-year bond, attracting Swiss, German and UK investors.

LBW is the result of the merger last weekend of three triple-A rated Landesbanks. The bond, priced at 67 basis points over the five-year US Treasury, was the first issue under LBW's €20bn medium-term notes programme.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
World Bank	1bn	(a)	(a)R	Jan 2009	0.325R	+52(4¾Nov08)	Goldman Sachs Intl
DSL Bank	500	5.125	99.278R	Jan 2004	0.25R	+65(4¼Nov03)	Deutsche/Nomura Intl
LBW Capital Markets	500	5.25	99.60R	Jan 2004	0.25R	+67(4¼Nov03)	ABN Amro/Salomon SB
Republic of Austria(b)	250	5.25(s)	100.392R	Oct 2009	0.325R	+50(4¾Nov08)	Deutsche Bank
Deutsche Bank Finance(c)‡	250	(c1)	99.769R	Dec 2003	0.15R	-	Deutsche Bank
Rabobank Nederland(d)	150	6.00	100.051R	Dec 2001	0.1875R	-	Warburg Dillon Read
■ EUROS(e)							
Allgemeine Hypo(p)	2.5bn	4.00	98.84R	Jan 2009	0.15R	+39½(Jul08)	(f)
DSL Bank(g)	500	3.625(s)	100.64R	Mar 2004	0.25R	+17(i)	ABN/Deutsche/Nomura
World Bank(h)‡	150	(h1)	99.75R	Jan 2019	0.50R	-	Sanwa International
■ STERLING							
GECC	200	5.125	99.622	Jan 2004	0.25R	+83(6¾Nov04)	Salomon Smith Barney
World Bank(j)	100	5.375	100.722	Dec 2001	0.1875	-	Warburg Dillon Read
■ SWISS FRANCS							
European Investment Bank	1bn	3.50	100.85	Jan 2014	2.75	-	Warburg Dillon Read
Bayerische Landesbank	1bn	3.125	102.15	Feb 2009	2.75	-	CSFB
Electricité de France	200	2.25	100.60	Feb 2005	2.25	-	Deutsche Bank(Switz)
Voralberger Landes-& Hypo	150	2.50	101.10	Feb 2005	2.25	-	del Gottardo/von Ernst
■ AUSTRALIAN DOLLARS							
BNG	100	5.00	98.795	Jan 2000	2.125	-	RBC DS Global Markets
Rabobank Australia	100	5.00	101.087	Feb 2004	1.875	-	TD Securities
■ CANADIAN DOLLARS							
Bayerische Landesbank	100	4.75	99.292R	Feb 2004	0.25R	+15(Sep03)	RBC DS Global Markets
Rabobank Nederland	100	4.75	99.6495R	Feb 2002	0.1875R	+5(5½Sep02)	TD Securities
■ NEW ZEALAND DOLLARS							
Bayerische HypoVereinsbank	100	6.00	100.50	Jan 2004	2.00	-	RBC DS Global Markets
■ SOUTH AFRICAN RAND							
World Bank	300	16.00	99.625R	Jan 2002	0.125R	-	TD Securities
World Bank	150	15.25	97.30R	Jan 2009	0.325R	-	TD Securities
EBRD	150	16.25	100.96	Jan 2002	1.00	-	RBC DS Global Markets
■ GREEK DRACHMA							
International Finance Corp	20bn	8.50	101.22	Jan 2002	1.50	-	RBC DS Global Markets
■ CZECH KORUNA							
World Bank	2bn	8.125	100.00R	Jan 2000	0.15R	-	ING Barings

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Priced today. b) Fungible with $500m. Plus 14 days accrued. c) Fungible with $500m. Plus 34 days accrued. c) 3-mth Libor +5¼bp. d) Fungible with $350m. Plus 30 days accrued. e) Spread relates to German govt bonds. f) Joint books: ABN, BayerLB, Commerz, CDC, Deutsche, DG, Dresdner, HypoVB, NordLB, WestLB. g) Fungible with €1bn. Plus 35 days accrued. h) Callable annually from 29/1/09 at par. h1) 10% in yr 1, 5% in yr 2, 4¼% in yrs 3-4, 4% in yrs 5-10, then 14½% - 2 x 12-mth Euribor. i) Over interpolated yield. j) Fungible with £150m. Plus 38 days accrued. p) Oeffentliche Pfandbrief. s) Short 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Dec 31	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	107.8425	4.64	−0.04	+0.04	+0.08	−1.58
	08/08	6.750	[illegible]	5.02	−0.02	+0.03	−0.02	−2.30
Austria	07/00	5.875	103.6200	3.26	−	−0.08	−0.13	−0.62
	01/08	5.000	107.2200	4.03	-	−0.05	−0.11	−1.78
Belgium	01/00	4.000	100.9000	3.10	−0.05	−0.09	−0.19	−0.16
	03/08	5.750	112.8300	4.05	−	−0.06	−0.14	−1.82
Canada	12/00	5.000	100.5205	4.71	−0.01	−0.17	−	+0.70
	06/08	6.000	108.2500	4.89	−0.01	−0.18	−0.02	−1.51
Denmark	11/00	9.000	109.0800	3.82	−0.01	−	−0.10	−0.19
	11/07	7.000	120.1800	4.22	−	−0.04	−0.10	−2.31
Finland	08/00	4.000	101.1800	3.16	+0.45	+0.47	+0.34	−0.58
	04/08	6.000	115.1700	4.01	−	−0.06	−0.16	−2.16
France	07/00	4.000	101.1500	3.17	+0.01	−0.01	−0.18	−0.30
	10/05	7.750	124.8200	3.57	−	−0.05	−0.11	−1.61
	10/08	8.500	136.0900	3.88	−0.01	−0.06	−0.11	−1.88
	04/29	5.500	111.6800	4.76	+0.01	−0.04	−0.10	−2.06
Germany	05/00	4.000	101.2400	3.09	−0.06	−0.11	−0.21	−0.37
	10/05	6.500	116.4400	3.71	−	−0.04	−0.12	−1.70
	07/08	4.750	108.8400	3.87	−	−0.05	−0.08	−1.81
	01/28	5.625	111.6700	4.87	+0.06	+0.01	−	−1.80
Greece	03/00	9.900	99.5400	10.15	−0.06	−0.07	−0.34	−4.66
	03/08	8.600	111.2200	6.83	+0.03	−	−0.03	−3.83
Ireland	10/01	6.500	106.5000	3.26	−0.01	−0.01	−0.23	−2.73
	08/06	8.000	115.5500	4.02	−	−0.04	−0.16	−2.67
Italy	04/01	4.500	102.8400	3.27	−	+0.10	−0.18	−3.07
	07/03	4.500	104.4000	3.44	−	+0.02	−0.20	−3.23
	05/08	5.000	107.8000	3.98	-	+0.03	−0.18	−3.59
	11/27	6.500	124.5500	4.88	−	−0.03	−0.18	−3.18
Japan	12/00	6.900	111.7500	0.81	−0.01	+0.04	+0.43	+0.02
	12/03	4.100	112.2840	1.52	−	+0.13	+0.72	−0.44
	06/08	1.800	98.3080	2.00	−	+0.11	+0.88	−0.58
	03/18	2.700	99.0230	2.77	−	+0.17	+0.87	−0.62
Netherlands	06/00	9.000	107.5300	3.20	−0.01	−0.02	−0.14	−0.16
	07/08	5.250	110.1300	3.95	−	−0.06	−0.11	−1.72
New Zealand	02/01	8.000	105.5084	5.16	−0.07	−0.10	+0.18	−1.67
	07/09	7.000	112.1222	5.47	−0.04	−0.06	−0.03	−1.75
Norway	05/01	7.000	102.6575	5.76	−2.06	−2.02	−2.22	+1.25
	01/07	5.750	103.0000	5.34	-	−0.08	+0.04	−0.80
Portugal	03/00	5.375	102.5800	3.18	+0.03	−0.06	−0.33	−2.06
	06/08	5.375	110.1000	4.08	−0.01	−0.10	−0.30	−2.78
Spain	04/00	6.750	104.4700	3.08	−0.02	−	−0.22	−2.86
	01/08	6.000	116.1000	3.96	−0.01	−0.08	−0.23	−2.83
Sweden	05/00	10.250	108.5100	3.63	−0.01	−0.05	−0.11	−0.99
	03/08	6.500	117.8450	4.15	-	−0.07	−0.14	−2.00
Switzerland	06/00	4.500	104.2300	1.47	−0.01	−0.08	−0.03	−0.98
	01/08	4.250	115.3000	2.36	−	−0.05	−	−1.48
UK	11/01	7.000	106.0300	4.70	−0.01	−0.07	−0.30	−1.88
	12/03	6.500	109.5100	4.33	−0.01	−0.07	−0.34	−2.04
	10/08	9.000	136.6324	4.36	-	−0.08	−0.28	−2.15
	12/28	6.000	129.2430	4.25	−0.01	−0.06	−0.11	−0.35
US	09/00	4.500	99.8125	4.61	−	−0.17	+0.13	−1.36
	08/03	5.250	102.5000	4.64	+0.01	−0.17	+0.16	−1.57
	05/08	5.625	106.6875	4.73	−	−0.21	+0.02	−1.69
	08/28	5.500	104.8125	5.18	−	−0.13	+0.06	−1.46

London closing. * New York latest. Source: Interactive Data/FT Information
Yields: Local market standard Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents

10 YEAR BENCHMARK SPREADS

Dec 31	Bid Yield	Spread vs Euros	Spread vs T-Bonds		Bid Yield	Spread vs Euros	Spread vs T-Bonds
Australia	5.03	+1.10	+0.38	Netherlands	3.97	+0.04	−0.68
Austria	4.14	+0.21	−0.51	New Zealand	5.48	+1.55	+0.83
Belgium	4.12	+0.19	−0.53	Norway	5.32	+1.39	+0.67
Canada	4.89	+0.96	+0.24	Portugal	4.12	+0.19	−0.53
Denmark	4.19	+0.26	−0.46	Spain	4.11	+0.18	−0.54
Finland	4.04	+0.11	−0.61	Sweden	4.17	+0.24	−0.48
France	3.91	−0.02	−0.74	Switzerland	2.45	−1.48	−2.20
Germany	3.95	+0.02	−0.70	UK	4.36	+0.43	−0.29
Greece	6.89	+2.96	+2.24	US	4.65	+0.72	−
Ireland	4.04	+0.11	−0.61				
Italy	4.00	+0.07	−0.65				
Japan	2.01	−1.92	−2.64				

Source: Interactive Data/FT Information. London closing. * New York closing. Annualised yield basis.

EMERGING MARKET BONDS

Dec 31	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Wk's chge yld	Sprd vs US
■ EUROPE								
Croatia	02/02	7.000	BBB−	94.9231	8.88	−0.08	−1.87	+4.35
Poland	07/04	7.125	BBB−	104.6558	6.09	−0.03	−0.27	+1.57
Russia	06/07	10.000	n/a	23.6367	46.69	−0.08	+4.79	+42.09
■ LATIN AMERICA								
Argentina	09/27	9.750	BB	90.6868	10.80	−0.34	−0.31	+5.75
Brazil	05/27	10.125	BB−	67.0988	15.20	−0.08	+1.27	+10.15
Mexico	05/26	11.500	BB	105.2632	10.88	−0.08	+0.02	+5.87
■ ASIA								
China	07/06	7.250	BBB+	103.2676	7.16	−0.08	−0.01	+2.59
Philippines	10/16	8.750	BB+	94.0865	9.44	−0.08	−0.14	+4.64
Thailand	04/07	7.750	BBB−	96.7341	8.30	−0.08	−0.35	+3.70
■ AFRICA/MIDDLE EAST								
Lebanon	07/00	9.125	BB−	103.0908	6.92	−0.08	−0.51	+2.42
South Africa	10/06	8.375	BB+	95.8636	9.11	−0.08	−1.60	+4.54
Turkey	09/07	10.000	B	86.4018	12.64	−0.08	+1.26	+8.04
■ BRADY BONDS								
Argentina	03/23	5.750	BB	71.8750	8.62	−0.07	+0.07	+3.86
Brazil	04/14	5.000	BB−	59.6250	13.93	−0.20	+1.08	+9.23
Mexico	12/19	6.250	BB	77.5000	8.58	−0.05	−0.14	+3.71
Venezuela	03/20	6.750	B+	68.8750	10.41	−0.06	−1.36	+5.52

London closing. Prices in US$. Standard & Poor's ratings. Source: Interactive Data/FT Information

BOND FUTURES AND OPTIONS

France

■ NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.04	112.47	+0.97	112.68	111.04	17,452	93,898

■ LONG TERM EURO BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls -	Puts Feb	Puts Mar	Puts -
109	2.43	2.62	-	0.13	0.32	-
110	1.60	1.87	-	0.29	0.57	-
111	0.93	1.28	-	0.62	0.95	-
112	0.47	0.79	-	1.15	1.46	-

Est. vol. total, Calls 180 Puts 107 . Previous day's open int., Calls n/a Puts n/a

Germany

■ NOTIONAL GERMAN BUND FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	115.95	116.80	+0.82	117.03	115.90	243,536	261,468

■ EURO FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Puts Jan	Puts Feb	Puts Mar
11550	0.37	0.78	1.06	0	0.41	0.68
11600	0	0.52	0.79	0.13	0.66	0.92
11650	0	0.32	0.58	0.63	0.96	1.21

Est. vol. total, Calls 0 Puts 0 Previous day's open int., Calls 0 Puts 0

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	108.75	108.98	+0.26	109.20	108.78	70,941	188,118

■ NOTIONAL LFB SWAP FUTURES (LIFFE)* 5yr 4.0% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		101.74	+0.45			0	986

■ NOTIONAL LFB SWAP FUTURES (LIFFE)* 10yr 4.5% DM250,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		102.35	+0.99			0	500

Also traded on APT. All Open interest figs. are for previous day

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	113.58	114.55	+1.08	114.80	113.57	11702	35678

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Feb	Calls Mar	Puts Feb	Puts Mar
11350	0.57	0.78	0.38	0.60
11400	0.33	0.55	0.64	0.88
11450	0.17	0.38	0.98	1.17

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 0 Puts 5000

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	117.50	117.60	+0.83	118.17	117.41	12,089	13,040

UK

■ NOTIONAL 5 YEAR GILT FUTURES (LIFFE) £100,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		108.32	-1.88			0	[illegible]
Jun		108.32	+0			0	0

■ NOTIONAL UK GILT FUTURES (LIFFE)* £100,000 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	119.70	119.64	+0.56	119.98	119.45	21695	100765
Jun		119.64	+0.56			0	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

■ LONG GILT FUTURES OPTIONS (LIFFE) £100,000 100ths of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Puts Jan	Puts Feb	Puts Mar
11800	0.26	1.06	1.39	0	0.80	1.13
11850	0	0.80	1.12	0.24	1.04	1.36
11900	0	0.60	0.95	0.74	1.34	1.69

Est. vol. total, Calls 453 Puts 125. Previous day's open int., Calls 7135 Puts 7344

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	127-21	127-23	[illegible]	128-11	127-18	90,852	[illegible]
Jun	127-17	127-09	-0-01	127-24	127-07	1,554	13,135
Sep	−	126-25	−	−	−	2,337	5,373

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	128.21	128.79		128.86	128.21	841	n/a
Jun		127.87				0	n/a

Ecu

■ EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	−	112.60	[illegible]	−	−	0	260

US CORPORATE BONDS

Dec 31	Red date	Coupon	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.28	AA−	108.2576	5.26	−0.10	−0.03	+0.72
NY Tel	08/25	7.00	A+	102.3785	6.80	−0.03	+0.23	+1.72
CWE	05/08	8.00	BBB	115.3923	5.84	−0.08	−0.12	+1.18
■ FINANCIALS								
GECC	09/07	8.75	AAA	121.4216	5.52	−0.06	−0.12	+0.87
Banc One	08/02	7.25	A	105.2118	5.61	−0.09	+0.18	+1.07
CNA Fin	01/18	6.95	A−	97.6359	7.17	−0.03	−0.28	+2.09
■ INDUSTRIALS								
WMX Tech	04/05	6.25	BBB+	100.0478	5.94	−0.16	+0.08	+1.60
Wal Mart	08/02	6.75	AA	105.3765	4.98	−0.09	+0.02	+0.44
Dayton Hud	06/21	9.70	A−	[illegible]	6.62	−0.03	+0.06	+1.54
■ AGENCIES								
FHLMC	04/07	7.14	N/A	112.5084	5.25	−0.06	−0.01	+0.80
SLMA	03/00	7.50	N/A	102.8818	4.95	−0.11	−0.03	+0.37
FNMA	02/16	6.95	N/A	137.6185	5.89	−0.03	+0.22	+0.01
FFCB	06/08	6.95	N/A	122.6908	5.22	−0.04	+0.02	+0.57
■ HIGH YIELD								
Stone Cont	02/01	9.88	B	100.6780	0.00	−	−	−
AK Stl	12/01	9.13	BB−	104.0000	0.00	−	−	−
Pacalta	08/04	10.75	B−	80.0000	0.00	−	−	−

NY latest. Standard & Poor's ratings. Yields: semi-annual basis. Source: Interactive Data/FT Information.

US INTEREST RATES

Latest — Treasury Bills and Bond Yields

Prime rate	7¾	One month	-	Two year	4.60
Broker loan rate	6⅞	Two month	-	Three year	4.60
Fed.funds	6⅞	Three month	4.52	Five year	4.57
Fed.funds at intervention	-	Six month	4.60	10-year	4.66
		One year	4.58	30-year	5.13

INTERNATIONAL BONDS

Dec 31	Red date	Coupon	S & P Rating	Bid price	Bid yld	Day's chge yld	Wk's chge yld	Spread v Govts
■ EURO $								
EIB	04/07	7.250	AAA	112.8978	5.29	+0.02	+0.08	+0.68
ABN Amro	08/07	7.125	AA−	105.6933	6.23	−0.01	−0.08	+1.63
Quebec	01/07	7.000	A+	107.8408	5.77	−0.01	+0.06	+1.17
Citicorp FRN	02/04	5.312	AA−	95.0613	6.45	−0.01	+0.01	+1.93
■ EURO C$								
Bayer L−Bk	06/04	9.500	AAA	118.8866	5.28	−0.02	−	+0.18
Toronto (M of)	05/04	8.500	AA+	114.3207	5.35	−0.02	+0.14	+0.28
Bell Canada	07/99	10.625	A+	102.8748	5.13	−0.04	−0.06	+1.27
Deutsche B FRN	09/02	5.875	AA+	101.6959	5.36	−0.03	+0.01	+0.36
■ EURO £								
EIB	12/07	7.625	AAA	117.3750	6.15	−	−0.09	+0.89
Dresdner Bk	12/07	7.750	AA−	111.5000	6.04	−0.03	−0.38	+1.58
British Gas	03/00	7.625	A+	101.7800	6.07	+0.30	−0.10	+0.86
Abbey Nat FRN	02/02	7.136	AA	100.1143	4.71	−	−0.19	+0.03
■ EURO DM								
EIB	01/08	3.750	AAA	102.8890	3.37	−	−0.04	+1.02
Brit Columbia	02/02	3.250	AA	103.8017	1.98	−	−	+0.30
Hydro−Quebec	05/01	6.750	n/a	109.4001	2.81	−	−0.08	+1.06
Gen Elect.	09/01	1.711	n/a	99.7067	1.96	−0.01	−0.04	+0.01
■ EURO YEN								
IBRD (World Bk)	03/02	5.250	AAA	113.6743	0.91	−0.01	+0.40	−0.18
Spain (Kingdom)	03/02	5.750	AA	116.0270	0.98	−0.01	+0.41	−0.11
Cred Foncier	08/02	4.750	A	111.0582	1.58	−0.02	+0.49	+0.47
Italy (Rep of)	07/99	0.461	AA	100.0290	0.45	−0.03	+0.17	+0.06
■ EURO A$								
IBRD (World Bk)	02/08	8.000	AAA	104.3011	5.39	−0.02	−0.10	+0.38
Nw Sth Wales Tr	05/06	6.500	n/a	106.1585	5.47	−0.02	−0.01	+0.54
S. Aus Gov Fin	06/03	7.750	AA	100.7478	5.48	−0.06	−0.10	+0.77
GMAC Aust	05/01	8.000	n/a	107.6725	5.45	−0.04	+0.08	+0.81

London closing. Standard & Poor's ratings. Yields: Local market standard/Annualised basis. Source: Interactive Data/FT Information

UK BONDS

FTSE Actuaries Government Securities

Price Indices UK Gilts	Mon Jan 4	Day's chge %	Accrued interest	xd adj ytd	Total Return	Duration Years	Duration Yield	% Weight
1 Up to 5 years (18)	122.41	0.02	2.12	0.00	1198.89	2.40	4.64	34.36
2 5-10 years (11)	173.36	0.37	2.00	0.00	1347.44	5.94	4.35	29.10
3 10-15 years (7)	188.87	0.63	2.06	0.00	1476.38	8.78	4.38	13.47
4 5-15 years (18)	177.87	0.43	2.02	0.00	1384.29	6.89	4.36	42.57
5 Over 15 years (4)	235.83	0.49	1.70	0.00	1603.09	11.80	4.35	22.28
6 Irredeemables (1)	334.41	1.24	2.34	0.00	1937.07	23.74	4.48	0.79
7 All stocks (44)	169.38	0.31	2.09	0.00	1304.12	7.00	4.40	100.00

UK Indices — Index-linked	Mon Jan 4	Day's chge %	Accrued interest	xd adj ytd	Total Return	% Weight
1 Up to 5 years (2)	227.57	0.01	1.12	0.00	1185.20	15.28
2 Over 5 years (9)	259.04	0.16	2.18	0.00	1402.98	84.72
3 5-15 years (5)	242.70	0.14	1.86	0.00	1308.54	43.38
4 Over 15 years (4)	273.96	0.17	2.50	0.00	1489.54	41.35
5 All stocks (11)	253.19	0.13	2.00	0.00	1372.89	100.00

Yield indices	Jan 4	Dec 30	Yr ago	Yield indices	Jan 4	Dec 30	Yr ago
5 yrs	4.43	4.47	6.53	Irred †	4.49	4.55	6.40
10 yrs	4.34	4.40	6.33	Med. 15 yrs	4.37	4.43	6.28
15 yrs	4.36	4.41	6.27	High 15 yrs	4.49	4.55	6.40
20 yrs	4.37	4.42	6.25				

Coupon Bands: Medium: 8%-10¾%, High: 11% and over † Flat yield. ytd Year to date

Real yield	Inflation 0% Jan 4	Dur yrs	Dec 30	Yr ago	Inflation 5% Jan 4	Dur yrs	Dec 30	Yr ago
Up to 5 yrs	2.62	3.42	2.62	3.61	2.06	3.44	2.06	3.04
Over 5 yrs	2.12	13.13	2.14	3.23	1.93	13.23	1.94	3.01
5-15 yrs	2.17	8.88	2.18	3.32	1.90	8.90	1.91	3.01
Over 15 yrs	2.10	16.72	2.11	3.18	1.94	16.82	1.95	3.02
All Stocks	2.16	11.58	2.17	3.24	1.93	11.71	1.94	3.02

FT Fixed Interest Indices

	Jan 4	Dec 30	Dec 29	Dec 24	Dec 23	Yr ago	High*	Low*
Govt. Secs. (UK)	116.45	115.98	115.53	115.36	115.50	93.63	115.62	93.31
Fixed Interest	157.84	157.19	156.47	156.41	156.47	116.07	157.10	115.32

* for 1998/99. Government Securities high since compilation: 127.40 (1/9/35), low 49.18 (1/3/75). Fixed Interest high since compilation: 151.02 (9/10/98), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Shorts* (Lives up to Five Years)							
Treas 9½pc 1999		9.49	6.04	100.0935	−.0331	102.63	100.09
Treas Flg Rate 1999		-	-	100.0435	+.0050	100.26	100.02
Exch 12¼pc 1999		12.08	5.62	101.4115	−.0830	108.31	101.41
Treas 10½pc 1999		10.31	5.46	101.8143	−.0670	104.98	101.81
Treas 6pc 1999		5.98	5.37	100.3599	−.0194	100.36	98.54
Conv 10¼pc 1999		9.83	5.24	104.2723	−.0489	108.46	103.62
Treas 8½pc 2000	✣	8.22	5.17	103.3864	−.0226	103.84	101.81
Conv 9pc 2000		8.63	5.17	104.2294	−.0275	105.02	102.66
Treas 13pc 2000		11.67	5.10	111.4259	−.0747	114.83	110.56
Treas 8pc 2000		7.57	4.87	105.6113	−.0265	105.79	102.22
Treas Flg Rate 2001		−	−	[illegible]	−.0097	100.82	100.17
Treas 10pc 2001		9.08	4.87	110.0875	−.0401	110.35	107.11
Conv 9½pc 2001	✣	8.59	5.04	110.6155xd	+.1608	110.66	106.73
Conv 9¾pc 2001	✣	8.74	5.04	111.5195	+.1689	111.57	107.98
Treas 7pc 2001		6.60	4.70	[illegible]	−.0136	106.10	100.71
Exch 12pc 1999-2	✣	11.97	6.32	100.2450	−.0750	104.94	100.01
Conv 10pc 2002	✣	8.62	4.59	115.9730	−.1724	116.36	110.98
Treas 7pc 2002		6.50	4.57	107.6266	+.0112	107.63	101.42
Conv 9½pc 2002	✣	8.25	4.63	115.2020	−.0754	115.37	109.75
Treas 9¾pc 2002		8.34	4.67	116.8550	−.0014	116.95	111.19
Exch 9pc 2002	✣	7.81	4.68	115.1830	+.1076	115.18	108.87
Conv 9¾pc 2003	✣	8.14	4.71	119.7500	[illegible]	119.75	112.78
Treas 8pc 2003		7.01	4.44	114.1969	+.0627	114.20	108.58
Treas 10pc 2003		8.13	4.50	122.9980	[illegible]	123.00	115.44
Treas 13¾pc 2000-3	✣	12.20	5.05	112.7479	−.1177	116.71	112.14
Five to Fifteen Years							
Treas 6½pc 2003		5.93	4.32	109.5948	+.0713	109.59	100.53
Treas 11½pc 2001-4		10.15	5.02	113.3414	−.0524	114.41	110.80
Treas 10pc 2004	✣	7.93	4.53	126.0316	+.3354	126.03	117.36
Funding 3½pc 1999-4		3.54	3.67	98.8500	+.1913	98.98	90.17
Conv 9½pc 2004		7.56	4.44	125.6678	+.2248	125.67	116.53
Treas 6¾pc 2004		6.00	4.52	112.5377	+.2072	112.54	101.87
Conv 9½pc 2005		7.45	4.44	127.4557	+.3036	127.46	117.55
Exch 10½pc 2005	✣	7.79	4.46	134.7527	[illegible]	134.75	124.23
Treas 12½pc 2003-5		9.26	4.46	134.9285	+.0496	134.93	127.40
Treas 8½pc 2005		6.83	4.36	124.4501	+.3456	124.45	113.10
Conv 9¾pc 2006	✣	7.21	4.37	135.1792	+.3667	135.18	122.69
Treas 7¾pc 2006		6.36	4.41	121.4923	+.4637	121.49	109.03
Treas 8pc 2002-6		7.19	4.67	111.2622	+.0175	111.26	104.96
Treas 7½pc 2006		6.22	4.39	120.6367	+.4959	120.64	107.77
Treas 11¾pc 2003-7	✣	9.34	4.66	125.8540	+.0886	125.92	118.61
Treas 8½pc 2007		6.60	4.41	128.8362	+.5527	128.84	115.08
Treas 7¼pc 2007		5.96	4.31	121.5837	+.5658	121.58	106.96
Treas 13½pc 2004-8	✣	9.52	4.36	141.8488	−.0982	141.95	133.46
Treas 9pc 2008		6.56	4.29	137.2849	+.6524	137.28	121.29
Treas 8pc 2009		[illegible]	[illegible]	[illegible]	+.6777	132.04	113.99
Treas 5¾pc 2009		5.06	4.18	113.6801	+.6592	113.68	99.36
Treas 6¼pc 2010		5.31	4.35	117.6249	+.6437	117.62	99.57
Conv 9pc Ln 2011		6.25	4.40	143.9958xd	+.7263	144.00	124.22
Treas 9pc 2012		6.15	4.43	146.3216	+.7879	146.32	125.20
Treas 5½pc 2008-12		4.95	4.10	111.1167	+.5729	111.12	93.37
Treas 8pc 2013		5.79	4.46	138.1673	+.6484	138.17	118.69
Treas 7¾pc 2012-15		5.85	4.47	132.4085	+.8269	132.41	112.74
Over Fifteen Years							
Treas 8pc 2015		5.60	4.38	142.8998	+.8890	142.90	118.62
Treas 8¾pc 2017		5.65	4.40	154.8068	+.8127	154.81	127.57
Exch 12pc 2013-17	✣	6.58	4.46	182.3946	+1.7163	182.39	155.98
Treas 8pc 2021		5.27	4.35	151.8246	+.7147	151.82	121.70
Treas 6pc 2028		4.62	4.23	129.7898	+.5274	129.81	99.88
Undated							
Consols 4pc		4.68	-	85.9300	+1.0100	85.92	61.21
War Loan 3½pc		4.45	-	78.6831	+.9463	78.68	55.09
Conv 3½pc '61 Aft		3.68	-	95.6831	+.9463	95.68	72.09
Treas 3pc '66 Aft		4.88	-	61.4650	+.7350	61.47	44.06
Consols 2½pc		4.43	-	56.4650xd	+.7350	56.47	39.06
Treas 2½pc		4.59	-	54.5231	+.7392	54.52	38.48

Index-Linked (b)	Notes	Yield (1)	Yield (2)	Price £	+ or −	52 week High	52 week Low
2½pc '99	✣	1.44	2.66	197.3665	−.4378	198.18	188.33
2½pc '01	(78.3)	2.20	2.61	208.0635	−.0186	208.40	194.72
2½pc '03	(78.8)	1.97	2.22	207.8311	+.0128	207.83	192.34
4⅝pc '04	(135.6)	[illegible]	[illegible]	134.0943	[illegible]	[illegible]	[illegible]
2pc '06	(69.5)	1.78	1.93	233.9739	+.2619	233.97	208.59
2½pc '09	(78.8)	1.86	1.97	215.4845	+.3141	215.48	187.06
2½pc '11	(74.6)	1.92	2.02	228.5342	+.3962	228.52	195.89
2½pc '13	(89.2)	1.94	2.03	192.1538	+.3528	192.15	162.40
2½pc '16	(81.6)	1.94	2.02	212.0088	[illegible]	212.01	175.39
2½pc '20	(83.0)	1.97	2.03	210.7833	+.2876	210.78	170.21
2½pc '24	(97.7)	1.98	1.98	182.7500	+.3633	182.75	142.88
4⅛pc '30	(135.1)	1.88	1.94	180.9468	+.4001	180.95	140.65

Prospective real redemption rate on projected inflation of (1) 5% and (2) 3%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for April 1998: 162.6 and for November 1998: 164.4.

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Asian Dev 10¼pc 2009		7.37	5.25	139⅛	...	139⅛	128⅝
B'ham 11½pc 2012		7.24	[illegible]	158¾	...	158¾	142½
Leeds 13½pc 2006		[illegible]	−	147	...	150¼	141½
Liverpool 3½pc Irred		5.47	−	64	...	65	51
LCC 3pc '20 Aft		5.08	−	59	...	59	45
Manchester 11½pc 2007		8.21	5.75	140	...	146½	133½
Met. Wtr. 3pc 'B'		3.23	4.80	93	...	95	85
N'wide Anglia 3⅞pc IL 2021		−	3.14	186¼xd	...	187¾	172¾
4⅝pc IL 2024		−	3.15	178½	...	187½	158¾

● 'Tap' stock. All UK Gilts are tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices. ✣ Indicative price.

هكذا من الاصل

Euro cruises

Euro cruises through sedate first day

MARKETS REPORT

By Alan Beattie

London's fatigued foreign exchange foot soldiers, exhausted from converting their computer systems over the weekend, were able to take a breather during a subdued first full *trading* day for the euro yesterday.

After all the fear of turbulence and systems failure in the early days of the euro's life, the new currency showed remarkable sang-froid as it strengthened slightly in thin markets.

The euro gained after some initial buying interest in the Asian session, mainly from Japanese investors wanting to reweight their portfolios.

This drove it up towards the $1.19 level against the dollar, well above the $1.16-$1.17 range in which it opened. But it drifted down to $1.18 at the beginning of the European trading session.

The new currency ended its first full day in London at $1.180 against the dollar. Given where the D-Mark closed against the dollar on 31 December, this implied a rise of around 0.5 per cent on the day. Against sterling, the euro closed at £0.711.

"Depending on how you look at it, the first day of trading in the euro was either a smooth trouble-free launch or a damp squib," said one analyst in London.

The demand for the euro in early trading was driven by a portfolio shift into European assets, he said.

"But there wasn't a huge volume of trade done," he added. "And if you convert the euro/dollar movement back into dollar/D-mark, it becomes clear that the price movement wasn't spectacular either."

■ One issue which appeared to be resolved speedily was the question of how the euro would be quoted against sterling.

Traditionally sterling has always been quoted as the first currency in any exchange rate pair, but a majority of the foreign exchange market-makers decided at the end of last year to push for the rate to be quoted in pounds per euro.

Yesterday this seemed to gain favour as the accepted market convention, with around 95 per cent of inter-bank trades being quoted this way.

NatWest GFM, who made a virtue of offering quotes both ways round, said yesterday they accepted that the "euro first" quotation would become the market standard in the inter-bank market.

But David White, head of foreign exchange spot traders at NatWest GFM, said that they would continue to quote euros per pound for their many customers who demanded it.

■ Sterling softened yesterday, though market analysts were wary of drawing too many conclusions that this signalled weakness in its future life as the near neighbour of the euro.

Analysts said that various flows out of sterling pushed the currency lower in thin markets.

Some said that there were residual sterling sales from the Ecu arbitrage deal.

Some pointed to possible effects from the merger of BP and Amoco helping to push sterling down against the dollar. Index-tracking investment funds were thought to be underweight in BP, they said.

Finding it hard to buy large chunks of BP equity in the UK, they discovered it was easier to buy ADR BP shares, or Amoco shares, in the US.

This, together with yesterday's news that ICI has pulled out of selling its Tioxide business to DuPont, meant that capital flows were likely to favour the dollar versus sterling.

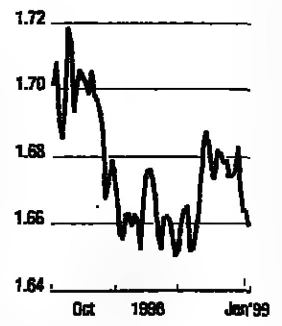
At the end of London trading yesterday the pound had fallen to $1.660 against the dollar, down from $1.664 on 31 December.

Meanwhile, anecdotal evidence of a strong performance by the UK retail sector in the January sales, and another marginally less gloomy business survey, persuaded traders in the short sterling market to trim expectations of UK interest rate cuts at the front end.

Contracts expiring in March and June 1999 settled down on the day, by 4 and 7 basis points respectively, implying a greater expectation that the Bank of England will hold fire on rate cuts.

Sterling

Against the dollar ($ per £)



Source: Datastream/ICV

■ POUND IN NEW YORK

Dec 4	—Latest—	– Prev. close –
£ spot	1.6575	1.6590
1 mth	1.6557	1.6574
3 mth	1.6534	1.6548
1 yr	1.6511	1.6525

■ OTHER CURRENCIES

Jan 4	£	$
Czech Rp	40.3002 - 40.3470	[illegible] - 23.7240
Hungary	353.246 - 353.639	212.850 - 213.010
Iran	[illegible]	[illegible]
Kuwait	0.4999 - 0.5006	0.3012 - 0.3015
Peru	5.2477 - 5.2545	3.1620 - 3.1650
Poland	5.7190 - 5.7294	3.4460 - 3.4510
Russia	[illegible]	[illegible]
U.A.E.	6.0952 - 6.0981	3.6727 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Jan 4		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria*	(Sch)	19.3582	-0.1383	514 - 650	19.5707	19.3014	19.306	3.3	19.2196	2.9	18.9158	2.3	103.6
Belgium*	(BFr)	56.7508	-0.4053	309 - 706	56.7815	55.5590	56.5948	3.3	56.3444	2.9	55.4538	2.3	103.7
Denmark	(DKr)	10.4819	-0.1071	762 - 875	[illegible]	10.4328	10.4612	2.4	10.4284	2.0	10.3224	1.5	107.6
Finland*	(FM)	8.3646	-0.0597	616 - 675	8.5030	8.3100	8.3416	3.3	8.3047	2.9	8.1735	2.3	83.1
France*	(FFr)	9.2261	-0.0659	249 - 313	9.3496	9.1911	9.2027	3.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria*	(Sch)	11.6639	-0.0561	[illegible] - 942	11.7120	11.6266	11.6427	2.0	11.6077	1.9	11.4427	1.9	103.3
Belgium*	(BFr)	34.1593	-0.1645	[illegible] - 950	34.7450	33.9880	34.132	2.0	34.0293	1.5	33.5454	1.9	103.5
Denmark	(DKr)	6.3148	-0.0497	125 - 170	6.3732	6.2713	6.3091	1.1	6.2988	1.0	6.2443	1.1	105.6
Finland*	(FM)	5.0392	-0.0242	[illegible] - 400	5.0632	[illegible]	5.0308	2.0	5.0156	[illegible]	4.9443	1.9	92.3

[illegible]

WORLD INTEREST RATES

MONEY RATES

Jan 4	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Euro-zone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	3.00	3.00
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	1.00	–
US	5	[illegible]	5	[illegible]	5	–	4.50	–
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–	0.50	–
■ $ LIBOR BBA London								
Interbank Fixing	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
US Dollar CDs	–	4.86	4.84	[illegible]	[illegible]	–	–	–
Euro Linked Ds	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
SDR Linked Ds	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
BBA Euro Libor	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
Euro Euribor	–	[illegible]	[illegible]	[illegible]	[illegible]	–	–	–
EONIA	3.8	–	–	–	–	–	–	–

London interbank fixing rate (LIBOR) is the BBA London rate, fixed at 11am. Mid rates are shown for the domestic Money Rates, US$ CDs, Euro & SDR Linked Deposits (Ds).

INTERNATIONAL CURRENCY RATES

Jan 4	Short term	7 days notice	One month	Three months	Six months	One year
Euro	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible] - 4	[illegible]
Sterling	[illegible] - 6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canadian Dollar	[illegible] - 5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	5 - [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japanese Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others, two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.85	96.85	–	96.86	96.85	5,567	43,970
Jun	96.93	96.94	+0.01	96.95	96.93	2,092	28,543

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%; ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%; THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%; THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%; THREE MONTH ECU FUTURES (LIFFE); THREE MONTH EURO FUTURES (LIFFE) Euro1m points of 100%; EUROLIRA OPTIONS (LIFFE) L1000m points of 100%: [illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Exeter Trust Limited	7.25	●Singer & Friedlander	6.25
Allied Irish Bank (GB)	6.25	Financial & Gen Bank	6.00	Smith & Williamson	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	Sun Bank	6.25
Banco Bilbao Vizcaya	6.25	Habib Bank AG Zurich	6.25	TSB	6.25
Bank of Cyprus	6.25	Heritable & Gen Inv Bk	6.25	United Bank of Kuwait	6.25
Bank of Ireland	6.25	C. Hoare & Co	6.25	Unity Trust Bank Plc	6.25
Bank of India	6.75	●SG Hambros Bank & Trust	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	Hongkong & Shanghai	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	Investec Bank (UK) Ltd	6.25		
Brit Bk of Mid East	6.25	Julian Hodge Bank	6.25		
●Brown Shipley & Co Ltd	6.25	●Leopold Joseph & Sons	6.25		
Citibank NA	6.25	Lloyds Bank	6.25		
Clydesdale Bank	6.25	Midland Bank	6.75		
The Co-operative Bank	6.25	NatWestminster	6.25		
Coutts & Co	6.25	●Rea Brothers	6.25		
Cyprus Popular Bank	6.25	Royal Bk of Scotland	6.25		
Duncan Lawrie	6.25	Scottish Widows Bank	6.75		

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Zinc falls to lowest for more than five years

MARKETS REPORT

By Kenneth Gooding and Paul Solman

On the London Metal Exchange, zinc prices fell to their lowest level for 5¼ years as investment funds that base their decisions on chart movements sold heavily, dealers said.

Zinc for delivery in three months dropped to $918 a tonne at one stage, its lowest since October 1993, before closing at $923, down $11, or 1.1 per cent.

Robin Bhar, analyst at Brandeis (Brokers), said: "The market is being ruled by the funds that take their cue from technicals. The fact that it did not recover to the important $940 level meant zinc would try to go lower."

Palladium's price moved up by more than 2 per cent, or $6.85 a troy ounce, to $341.50 by the close in London following an Interfax report that Russia, the biggest producer, would not begin exporting until at least the end of January. In 1997 and 1998 bureaucratic wrangling held up exports for the first six months.

In contrast, platinum closed in London down $2.20 at $363 an ounce after South Africa's Anglo American Platinum Corporation, the biggest producer, said it was close to settling a 13-day strike that had halted operations at its Lebowa mine.

Meanwhile, Brent crude oil broke through $11 a barrel yesterday, with traders suggesting the market had been boosted by increased demand and renewed buying after Christmas.

Reports that Iraq was increasing its oil export target to 2m barrels a day this month appeared to have little impact. Iraq exports about 1.8m barrels a day under the United Nations "oil for food" programme, and recent tensions between the US and Baghdad have not interrupted supplies.

In late trading on London's International Petroleum Exchange, the benchmark February contract was $10.94 a barrel against Friday's close of $10.58.

Indian fit of pique puts jute organisation under threat

If India leaves the UN body, it could mean curtains for the IJO. Officials are poised between hope and despair, says Kunal Bose

India, the world's largest producer of jute, is leaving the Dhaka-based International Jute Organisation in a fit of pique. Government officials say India is quitting because of the indifferent working of the 15-year-old UN body, but the reason is the country's failure to get its representative elected as executive director.

"India is wrongly miffed," says one senior western diplomat in Dhaka. "The first two executive directors of the IJO were from India and the next two from Bangladesh. So the top office of the organisation has so far been held by representatives of jute and jute goods exporting countries. There is nothing wrong if the importing countries are now staking a claim to the office."

"The Bangladeshi government withdrew its candidate in favour of India, but India lost out on poor lobbying," according to a Bangladeshi industry official. "It did not put up a senior enough official for the post either. The importing countries took advantage of all this. They also have a strong claim to the office."

In the past few years, the US, Australia and Pakistan, all importing countries, left the IJO because they thought the organisation was underperforming. "But if India, which has nearly 50 per cent of the world jute production, stays out of the IJO it could mean curtains for the organisation," says a senior Bangladeshi government official.

"Bangladesh's concern is understandable since the IJO is the only world body headquartered in Dhaka and it deals with a commodity of strategic significance for the country," he adds.

The IJO officials are poised between hope and despair. The International Agreement on Jute and Jute Products, the provisions of which are administered by the IJO, will expire in April 2000. If India stays away, the other members may not renew the agreement, which will finish the organisation.

Henri L. Jason, director and officer in charge of the IJO, says: "India is one of the promoter members of the organisation and has been an active participant in all its developmental activities. There may be family problems, but these need to be sorted out amicably. I hope India will not pull the rug from under the IJO."

The IJO is the only world forum for jute and its various research and development programmes are funded by the UN Common Fund for Commodities and developed countries.

"R&D and transfer of results from the laboratory to the field and factories are the key to improving the competitiveness of jute vis a vis plastic and other substitute commodities. Development work on jute will be a casualty if the IJO goes under," says an Indian industry official.

"The jute industry suffered decades of neglect," says Mr Jason. "A very high level of overmanning of factories is one of its many ills. Value addition in jute is low. The IJO, which might not have produced significant results, has supported several R&D projects, now ripe for commercial exploitation. We are an R&D-oriented organisation and the world jute industry needs us."

If India stops paying its membership fee, the other four exporting member countries – Bangladesh, China, Thailand and Nepal – will have to pick up the tab.

"We are hearing murmurs of discontent as India makes an issue of not being able to get its nominee elected to the ED's office," says an IJO official. "Thailand does not welcome the idea of paying an extra membership fee. It will not be easy to get an extra allocation for jute from the governments of member countries. Our future remains uncertain."

Bangladesh has come to be "very possessive" of the IJO. "Sheikh Hasina, prime minister of Bangladesh, wields considerable influence with Delhi and we hope she will attempt to keep India in the IJO," says a Bangladeshi industry official.

The IJO is addressing the problem of finding a use for a surplus of jute fibre in non-traditional areas

Meanwhile, the IJO is addressing the problem of finding a use for "the surplus 1m tonnes of jute fibre in non-traditional areas", says R. Mandal, senior industry officer of the IJO.

"Out of the world production of a little more than 3m tonnes of raw jute, the packing of food-grains and coffee and cocoa beans and wrapping of a variety of materials take care of 2m tonnes. At the IJO, we are confident that as our R&D results are made use of by the industry, enough demand will be created for the balance of 1m tonnes of fibre," says Mr Mandal. The total land under jute is about 1.8m hectares. Jute has to compete for land with rice, cassava, sugar and vegetables.

"The farmers will not switch over to other crops if inadequate demand does not hold down raw jute prices," says Mr Mandal. "Jute has some structural deficiencies like poor stretchiness, high lignin content and hardness. One of the principal objectives of our R&D endeavours is to overcome the deficiencies through chemical treatment. A chemically treated jute fibre will find many new applications."

Bangladesh, which does not grow any cotton but has a thriving garment industry, is eagerly awaiting the commercialisation of chemically treated soft jute being blended with cotton and other fibres.

"The blended yarns will be good for making fabrics that will allow stitching of garments," says Mr Mandal. "We are looking at jute as a textile material. A French company is developing spinning machines that will allow blending of jute with other fibres in different proportions. At the jute industry level, we expect a forward-looking company like Champdany of India to make garment-quality yarns and fabrics on a commercial scale."

The IJO-sponsored R&D projects have established that jute bags lined with synthetic film and aluminium foil can replace kraft paper bags for packing tea.

"A huge market for jute will open up if jute-reinforced plastic catches the fancy of industrial users of plastic," says Mr Mandal.

NEWS DIGEST

COCONUT PRODUCTS

Philippine exports grow despite adverse weather

The Philippines' exports of coconut products rose 10 per cent to 2.1m tonnes last year, according to the United Coconut Associations of the Philippines. The country, the world's largest coconut products exporter, also increased its overseas sales of coconut oil by 13 per cent to 1.2m tonnes, the trade organisation said.

The growth in exports came in spite of earlier predictions that the coconut industry would face difficulties after adverse weather conditions. Philippine crops were damaged by a severe drought in 1998, brought on by the El Niño and La Niña weather patterns, and the southern region of Mindanao, which accounts for about half of the country's coconut output, was especially badly hit. Signs of supply problems also pushed up coconut oil prices. Together with Indonesia, the Philippines accounts for about 80 per cent of global coconut oil supplies.
Paul Solman

TEA

Price rises lift Indian earnings

Higher prices boosted India's earnings from tea exports last year in spite of only a small increase in overseas sales. India exported 188m kilograms of tea in the 11 months from January to November 1998, some 2 per cent more than in the same period the year before, the country's Tea Board said. However, export earnings in the same period jumped 25 per cent to Rs19.85bn ($467m). The average export price rose to Rs105.36 a kg compared with Rs86.01 the previous year.

The volume of India's tea exports was hit last year by a fall in demand from Russia, its largest customer, as a result of the financial crisis and the devaluation of the rouble. However, traders now expect Russia to increase its tea buying to replenish stocks.

India's total tea production in the January-November period was 812m kg against 782m kg during the same period in 1997. Record crops in the north-east region helped boost output, though production in south India fell. India is the world's largest tea producer. **Paul Solman**

PORK

German prices to stay low

German pork prices will stay low in 1999 in spite of a small increase in consumption, the country's agriculture ministry said. Pig slaughterings this year will rise 1.7 per cent to 40m compared with a rise of 5 per cent to 39.4m last year, it said. Pig meat farmers across Europe have been suffering severe losses caused by oversupply and plunging prices. The German ministry said the outlook for the European market remained difficult as last year's collapse in export markets continued to depress demand.

Meanwhile, the German livestock count showed there were 26.3m pigs in November 1998, 6 per cent more than at the same time in 1997. **Paul Solman**

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1223-4	1230-31
Previous	1237-8	1244-6
High/low		1238/1221
AM Official	1214-14.5	1222.5-23
Kerb close		1232-3
Open int.	303,710	
Total daily turnover	62,124	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1020-25	1050-55
Previous	1025-8	1055-6
High/low		1057/1050
AM Official	1020-21	1050-51
Kerb close		1057-60
Open int.	7,005	
Total daily turnover	2,168	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	467.5-468.5	469-9.5
Previous	496-7	473-4
High/low		474/468
AM Official	464.5-65.0	471-72
Kerb close		469-70
Open int.	36,684	
Total daily turnover	29,246	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	3970-75	4040-50
Previous	4095-100	4150-70
High/low		4100/4030
AM Official	3985-90	4050-55
Kerb close		4030-35
Open int.	67,341	
Total daily turnover	17,[illegible]	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5120-30	5125-30
Previous	5165-70	5165-70
High/low		5150/5125
AM Official	5130-35	5130-35
Kerb close		5130-35
Open int.	20,263	
Total daily turnover	7,081	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	903-4	920-20.5
Previous	915-6	933-4
High/low		936/918.5
AM Official	912-13	927-27.5
Kerb close		922-3
Open int.	67,268	
Total daily turnover	39,092	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1435-6	1463-4
Previous	1455-6	1484.5-5.5
High/low		1488/1457
AM Official	1438.5-39.5	1467-68
Kerb close		1461-2
Open int.	184,061	
Total daily turnover	82,[illegible]	

■ LME AM Official £/$ rate: 1.6558
LME Closing £/$ rate: 1.6600

Spot 1.6594 3 mths: 1.6554 6 mths: 1.6535 9 mths: 1.6527

■ HIGH GRADE COPPER (COMEX)

	Latest	Day's change	High	Low	Vol	Open int
Jan	64.45	-1.90	64.80	64.40	674	1,748
Feb	64.90	-1.85	65.10	64.90	69	2,463
Mar	65.40	-1.80	67.20	65.20	1,691	42,779
Apr	65.65	-1.80	66.30	65.30	18	1,513
May	66.30	-1.75	67.15	66.20	34	5,969
Jun	66.75	-1.70	67.10	66.90	57	1,268
Total					2,596	71,875

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	286.50-287.00		
Opening	288.50-288.80		
Morning fix	288.25	173.854	394.758
Afternoon fix	287.15	172.930	392.678
Day's High	288.60-288.90		
Day's Low	286.40-286.70		
Previous close	287.50-288.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.15	6 months	3.80
2 months	4.07	12 months	3.47
3 months	4.03		

Silver Fix	p/troy oz.	US cts equiv.
Spot	301.630	499.500

Silver Lending Rates

1 month	4.10	6 months	2.40
2 months	3.50	12 months	2.20
3 months	3.40		

Gold Coins	$ price	£ equiv.
Krugerrand	290-294	174-176
New Sovereign	67-71	40-42

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	288.3	-0.9	290.0	287.3	9,017	70,408
Apr	290.3	-17.3	291.7	289.4	[illegible]	31,726
Jun	292.1	+0.9	293.6	291.4	609	15,046
Aug	293.9	+1.0	[illegible]	294.0	181	6,813
Oct	295.7	+1.0	[illegible]	296.2	82	2,829
Dec	297.4	+1.0	298.5	298.3	41	12,351
Total					9,882	162,912

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	353.5	-0.7	356.0	351.0	397	1,518
Apr	355.6	-0.4	357.5	352.5	3,091	8,238
Jul	356.5	-0.4	-	-	87	986
Oct	358.6	-0.4	-	352.5	11	1,100
Total					3,667	11,849

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	330.45	+7.30	340.00	333.00	95	2,673
Jun	323.45	+3.30	-	-	2	69
Sep	327.45	+3.30	-	-	-	127
Total					96	2,861

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	490.2	-8.6	493.0	493.0	59	36
Mar	494.0	-8.0	504.0	489.0	2,821	50,501
May	497.5	-7.9	505.0	491.5	163	8,904
Jul	498.8	-7.9	506.0	495.5	18	6,396
Sep	502.0	-7.9	499.5	499.5	1	1,578
Dec	504.0	-7.9	518.0	499.0	32	5,981
Total					4,343	75,383

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	12.28	+0.23	12.35	12.06	30,851	104.6
Mar	12.43	+0.24	12.46	12.22	9,649	62,617
Apr	12.60	+0.20	12.65	12.49	2,992	31,815
May	12.79	+0.19	12.81	12.65	506	25,723
Jun	12.98	+0.20	12.98	12.80	856	28,029
Jul	13.18	+0.20	13.15	13.04	293	21,595
Total					49,601	403,327

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	10.94	+0.41	11.00	10.59	21,134	68,331
Mar	11.07	+0.57	11.12	11.00	7,260	45,065
Apr	11.24	+0.53	11.33	11.19	6,281	19,681
May	11.44	+0.51	11.51	11.39	3,073	13,917
Jun	11.61	+0.47	11.68	11.55	1,617	30,342
Jul	11.86	+0.52	11.86	11.85	131	8,703
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	35.15	+0.87	35.80	34.55	16,366	64,263
Mar	35.60	+0.92	35.80	35.00	3,566	25,135
Apr	35.70	+0.82	35.90	35.25	1,141	16,919
May	35.90	+0.72	36.20	35.50	736	10,820
Jun	36.50	+0.77	36.60	36.30	513	10,478
Jul	37.25	+0.77	37.25	37.25	81	6,327
Total					32,666	176,361

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	99.25	+3.75	99.50	96.00	10,942	31,853
Feb	101.25	+3.25	102.00	100.50	8,012	27,073
Mar	103.25	+4.00	103.75	102.25	2,035	14,297
Apr	105.00	+4.00	105.50	104.00	480	9,342
May	106.75	+3.75	107.00	106.00	141	4,920
Jun	108.50	+3.25	109.00	107.75	186	11,341
Total					22,690	138,264

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	10.720	-1.160	11.300	10.580	925	6,490
Mar	9.750	-0.550	9.800	9.650	325	5,566
Total					29,880	222,676

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	2.055	+0.110	2.085	2.030	15,886	47,855
Mar	2.035	+0.089	2.070	2.015	4,778	28,194
Apr	1.980	+0.087	2.010	1.950	3,210	19,615
May	1.950	+0.062	2.000	1.970	1,204	13,858
Total					[illegible]	[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	1.990	+0.073	2.000	1.970	1,162	13,673
Feb	37.25	+0.70	37.35	36.65	7,679	34,898
Mar	38.30	+0.67	38.35	37.65	2,292	11,140
Apr	41.25	+0.47	41.35	40.90	371	14,372
May	42.20	+0.52	42.20	42.15	306	12,894
Jun	42.70	+0.42	42.70	42.50	120	9,829
Jul	43.15	+0.37	43.15	43.00	158	10,080

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	77.60	+0.70	77.50	77.60	2	373
Mar	79.00	+0.70	79.05	79.00	43	3,061
May	80.85	+0.80	81.05	80.85	51	3,337
Jul	82.80	+0.55	-	-	-	330
Sep	80.60	+0.25	-	-	-	124
Nov	82.35	+0.35	82.75	82.75	-	1,316
Total					100	8,861

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	279.00	+2.75	288.00	275.50	4,326	71,842
May	289.50	+3.25	290.00	286.50	236	11,131
Jul	299.25	+2.25	299.75	295.50	808	23,043
Sep	309.00	+2.25	309.00	308.00	11	1,621
Dec	322.50	+3.00	323.00	321.00	12	1,714
Total					6,438	115,181

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	214.75	+1.25	215.75	214.00	20,932	183,598
May	221.50	+0.75	222.75	220.75	3,692	53,686
Jul	228.00	+0.75	229.00	227.50	3,206	60,971
Sep	235.00	+1.00	236.25	234.50	1,125	14,420
Dec	240.75	+0.75	241.50	239.75	1,138	28,908
Mar	246.00	+0.60	248.50	247.25	114	1,992
Total					30,565	345,304

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	77.75	+0.75	-	-	-	142
Mar	79.00	+0.75	-	-	-	621
May	80.25	+0.75	-	-	-	42
Sep	76.85	+0.35	-	-	-	25
Nov	80.85	+0.25	-	-	-	48
Total						785

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	543.75	+6.00	545.50	538.00	6,580	16,703
Mar	546.00	+4.75	548.00	542.50	13,977	57,927
May	551.50	+4.50	554.00	549.00	1,718	18,934
Jul	557.00	+4.75	[illegible]	[illegible]	[illegible]	[illegible]
Aug	557.75	+3.75	558.00	555.50	225	6,862
Sep	557.50	+2.00	559.75	556.00	23	1,132
Total					24,067	139,866

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	23.14	+0.31	23.20	22.91	5,087	3,693
Mar	23.30	+0.28	23.44	23.14	8,751	83,869
May	23.63	+0.23	23.67	23.40	605	18,872
Jul	23.85	+0.26	23.89	23.65	1,407	17,980
Aug	23.93	+0.30	23.93	23.88	410	4,314
Sep	24.00	+0.19	24.00	23.85	31	2,784
Total					16,527	137,333

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	143.2	+2.1	143.7	142.0	9,076	15,403
Mar	141.4	+2.0	142.3	138.5	7,291	44,611
May	142.7	+2.0	143.2	141.5	2,826	17,833
Jul	145.0	+1.8	145.5	143.9	2,292	20,027
Aug	146.5	+1.2	147.0	145.9	195	4,755
Sep	148.1	+1.5	148.5	147.3	124	4,626
Total					19,812	112,136

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	250.0	-	-	-	-	-
Apr	326.0	-2.0	335.0	322.0	22	2,141
May	336.0	-2.0	-	-	-	20
Jun	348.0	-2.0	-	-	-	-
Nov	85.0	-	-	-	-	3
Total					22	2,141

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	795	-15	805	793	24	492
Feb	815	-10	815	815	-	711
Apr	905	-5	905	905	2	925
Jul	805	-10	885	805	-	650
Oct	918	-5	-	-	-	361
Total					30	2,382

	Close	Prev
BFI	784	791

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	424.50	-1.00	425.50	429.00	45	484
Jun	447.00	+6.50	447.00	443.00	35	94
Total					82	578

FUTURES DATA
All futures data supplied by CMS.

Minor Metals from Metal Bulletin
European free market, $ per pound in warehouse (last week's prices in brackets). Antimony: 99.65%, $ per tonne, 1,190-1,260. Bismuth: min. 99.99%, tonne lots, 2.80-3.10 (2.85-3.20). Cadmium: min. 99.95%, cents a pound, 16-20. Cobalt: MB free market, min. 99.8%, 10.50-11.50 (11.40-12.80), min. 99.3%, 7.90-8.00 (8.70-10.20). Mercury: min. 99.99%, $ per 76 pound flask, 137-145. Molybdenum: drummed molybdic oxide, 2.65-2.90 (2.50-2.95). Selenium: min. 99.5%, 1.40-2.30. Tungsten ore: 32-42. Uranium: Nuexco, unrestricted exchange value 8.75. Vanadium: min. 98%, 2.60-2.90 (2.50-2.80).

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	900	-2	905	897	4,378	36,599
May	920	-3	924	918	483	28,929
Jul	940	-4	944	[illegible]	145	12,099
Sep	960	-4	965	[illegible]	108	28,276
Dec	984	-4	986	981	60	16,396
Mar	1006	-5	1007	1006	76	12,[illegible]
Total					5,329	187,[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1373	-6	1377	1363	882	38,677
May	1393	-7	1397	1385	782	17,543
Jul	1416	-7	1419	1408	21	5,880
Sep	1438	-7	1433	1433	127	4,801
Dec	1471	-6	1468	1463	18	5,377
Mar	1503	-5	1500	1500	60	6,260
Total					1,730	78,388

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Dec 30		
Daily	1041.36	1066.59

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1874	-1	1885	1847	579	7,360
Mar	1820	+14	1832	1795	1,360	20,211
May	1770	+12	1779	1740	489	7,971
Jul	1751	+12	1746	1738	17	1,866
Sep	1734	+11	1725	1725	18	684
Nov	1720	+13	1710	1710	-	253
Total					3,065	44,[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	122.60	+4.05	123.50	116.50	1,567	23,616
May	122.60	+3.90	123.40	117.75	275	5,498
Jul	123.05	+3.55	123.05	118.75	34	2,473
Sep	123.35	+3.10	123.50	122.25	11	1,730
Dec	123.60	+2.90	123.00	122.80	10	782
Mar	123.65	+1.85	123.00	123.60	14	69
Total					1,982	34,687

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
Dec 30		
Comp. daily	n/a	n/a
15 day average	n/a	n/a

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	244.8	+4.8	245.0	240.8	1,453	17,320
May	244.8	+4.3	244.5	240.8	[illegible]	9,523
Aug	242.5	+3.4	241.5	240.0	74	5,598
Oct	238.5	+3.9	231.9	231.9	48	4,840
Dec	236.2	+3.4	233.5	233.6	-	584
Mar	240.2	+3.4	237.5	237.5	-	684
Total					2,128	32,[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	8.18	+0.32	8.19	7.90	3,575	75,169
May	8.08	+0.25	8.08	7.89	594	23,085
Jul	7.98	+0.18	7.99	7.74	426	22,585
Oct	8.07	+0.12	8.08	7.95	730	18,990
Mar	8.35	+0.12	8.35	8.24	203	9,865
May	8.44	+0.12	-	-	14	2,127
Total					8,436	161,[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	59.93	-1.33	60.28	58.81	2,803	34,313
May	60.17	-1.10	61.30	59.90	1,193	16,226
Jul	61.23	-1.24	62.40	61.05	743	12,135
Oct	63.00	-	63.30	62.20	47	1,305
Dec	64.45	-	64.50	63.50	[illegible]	11,363
Mar	65.50	-	-	-	[illegible]	1,075
Total					5,692	77,707

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	99.70	-2.10	101.00	98.50	1,316	4,054
Mar	102.60	-1.70	104.50	102.00	1,708	14,730
May	104.00	-1.45	104.75	103.50	281	3,208
Jul	105.10	-1.35	105.75	104.50	54	2,152
Sep	105.85	-1.10	-	-	2	240
Nov	108.50	-0.85	-	-	7	538
Total					4,987	23,[illegible]

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Jan 4	Dec 31	month ago	year ago
1477.7	1476.8	1470.6	1752.4

■ CRB Futures (Base: 1967 = 100)

Dec 31	Dec 30	month ago	year ago
191.22	190.71	-	-

■ GSCI Spot (Base: 1970 = 100)

Dec 31	Dec 30	month ago	year ago
133.62	131.57	123.48	175.62

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+476	to	835,525
Aluminium alloy	-80	to	86,020
Copper	+2,550	to	592,425
Lead	-	to	109,350
Nickel	-24	to	65,964
Zinc	+825	to	317,050
Tin	+100	to	8,250

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	59.825	-0.900	60.850	59.800	3,173	44,431
Apr	62.600	-0.425	63.425	62.450	792	31,207
Jun	62.650	-0.450	63.350	62.450	1,282	17,931
Aug	63.075	-0.325	63.675	63.000	722	10,669
Oct	65.125	-0.300	65.550	64.950	235	5,091
Dec	65.650	-0.280	66.250	65.650	86	1,929
Total					6,564	111,437

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	30.725	-1.925	32.880	30.650	3,157	18,442
Apr	36.850	-1.350	37.700	35.550	2,184	10,863
Jun	48.000	-1.200	49.550	47.700	836	7,018
Jul	50.775	-1.175	52.300	50.500	321	3,897
Aug	53.150	-0.850	54.200	53.000	186	3,084
Oct	54.325	-0.650	55.050	54.100	169	2,577
Total					6,948	48,580

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	42.775	+0.025	44.100	42.000	833	4,738
Mar	43.300	+0.200	44.300	42.750	112	1,125
May	44.500	-0.150	45.900	44.500	31	826
Jul	48.425	-0.075	48.750	48.000	29	679
Total					1,097	7,757

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Feb	May	Feb	May
1150	73	[illegible]	[illegible]	12
1200	34	13	67	27
1250	11	30	41	46
■ COPPER (Grade A) LME	Feb	May	Feb	May
1450	[illegible]	15	103	36
1500	12	88	52	81
1600	1	106	22	180
■ COFFEE LIFFE	Mar	May	Mar	May
1700	154	141	28	71
1750	120	118	41	96
1800	92	98	63	125
■ COCOA LIFFE	Mar	May	Mar	May
925	20	40	45	45
950	10	30	66	60
975	8	23	83	78
■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
1050	-	-	-	-
1100	-	-	-	-
1150	30	74	26	71

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)		+or-
Dubai	$10.41-0.48x	-0.275
Brent Blend (dated)	$10.57-0.63	-0.225
Brent Blend (Feb)	$10.97-1.03	-0.025
W.T.I.	$12.24-2.29x	+0.18
■ OIL PRODUCTS NWE prompt delivery CIF (tonne)		
Premium Gasoline	$122-124	+7
Gas Oil	$101-103	+2.5
Heavy Fuel Oil	$57-59	+2
Naphtha	$105-107	
Jet fuel	$115-117	+3.5
Diesel	$106-108	+3
■ NATURAL GAS (Pence/therm)		
Bacton (Feb)	10.725	-1.15
Petroleum Argus. Tel. London (0171) 359 8792		
■ OTHERS		
Gold (per troy oz)§	$286.75	-1.0
Silver (per troy oz)§	499.50c	-1.0
Platinum (per troy oz.)	$362.75	+1.25
Palladium (per troy oz.)	$337.00	+8.0
Copper	71.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	13.20r	
Tin (New York)	245.5	
Cattle (live weight)	87.42p	
Sheep (live weight)	81.31p	
Pigs (live weight)†	40.52p	
Lon. day sugar (raw)	$199.60	-2.75
Lon. day sugar (wte)	$242.50	+0.60
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Jan)▼	46.00p	
Rubber (Feb)▼	46.50p	
Rubber (KL RSS No1)	250.50m	+0.5
Coconut Oil (Phil)§	777.5y	
Palm Oil (Malay.)§	605.00	
Copra (Phil)§	475.0y	
Soyabeans (US)	155.5y	
Cotton Outlook 'A' Index	58.05	
Wooltops (64s Super)	319p	

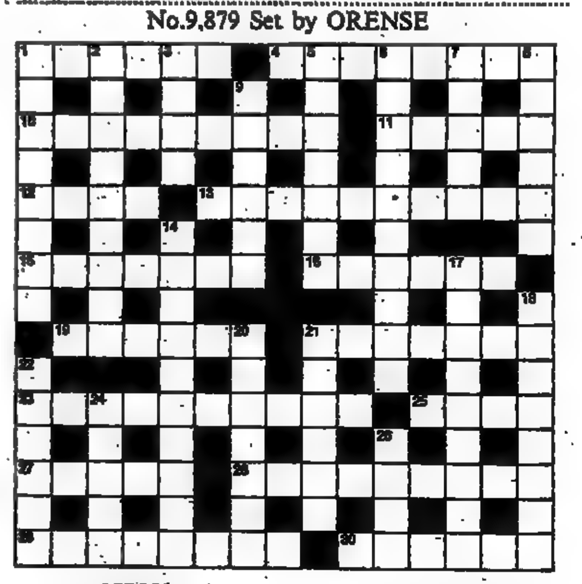
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Sep/Oct. x Feb. ▼London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on 39 head of pigs sold.

JOTTER PAD

For solutions to today's crossword call 0891 430060. Calls cost 50p a minute.

CROSSWORD

No.9,879 Set by ORENSE



ACROSS

1 Stay outside to check modus operandi (6)
4 Ring money mad person (8)
10 Attractive bit of open space (5,4)
11 Surviving a bad back (5)
12 Bitter sweet (4)
13 Beers had to be brewed daily (10)
15 Super drugs count in Spain (7)
16 Vulnerable currency (6)
19 Salt worker by the Mediterranean, for example (6)
21 Just see model released (4,3)
23 Reflecting on right adopted by breakaway group (10)
25 Goat changes into Roman dress (4)
27 Walk – public transport first to profit! (5)
28 Dole queue? (9)
29 Free from worries when taken over (8)
30 Class field chasing gritty leader (6)

DOWN

1 Boat wrecked in green act of destruction (8)
2 Procedure followed prior to landing (9)
3 Risk levels holding back stags (4)
5 Ham on the turn (7)
6 Sneak out under pot bellied traveller (5,5)
7 Aircraft cone absorbing unit of sound (5)
8 Hear about tea-break agreement (6)
9 Studies vulgar expression (6)
14 Original gift that stuck in the throat (5,5)
17 Financial adviser comes into play (9)
18 Obtain backing in homeless scheme (8)
20 Distinguished but lacking fare (7)
21 Tied up – otherwise involved in Dome construction (6)
22 Depression created by credit squeezing charge (6)
24 Weak franc to suffer (5)
26 Prevaricate, losing initial advantage (4)

Solution to Saturday's prize puzzle on Saturday January 16.
Solution to yesterday's prize puzzle on Monday January 18.

FT MANAGED FUNDS SERVICE

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

GUERNSEY (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

FT MANAGED FUNDS SERVICE

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Lloyds TSB Fund Managers - Contd.

Standard Bank Fund Mgmt (Jersey) Ltd

Fidelity Funds - Contd.

Lombard Odier Invest - Contd.

Svenska Selection Fund SICAV

CDC Asset Management Europe

Lebanon Holdings

Lloyds Bank Luxembourg

Standard Chartered Investment Funds

State Street Luxembourg SA

LUXEMBOURG
(FSA RECOGNISED)

ABN AMRO Funds (u)

Fleming Group (u)

Templeton Global Strategy Funds (u)

Lombard Odier Selection

Templeton Emerging Asia

Templeton Russian & East European Fund

Tower Fund

Bank Von Ernst & Cie AG

Barclays Diversified Portfolio (u)

Barclays Inv Funds (Luxembourg)

Foreign & Colonial Emerging Markets Ltd (u)

Foreign & Colonial Portfolios Fd Sicav (u)

GT Global

HSBC Investment Funds Luxembourg SA (u)

INVESCO International Limited (u)

Morgan Stanley Sicav

JERSEY
(REGULATED)(**)

ABSA Offshore Fund Managers (Jersey) Ltd

AIB Govett Management (Jersey) Limited

Bank of Ireland Asset Mngmt (Jersey) Ltd

Barclays Global Investors Jersey Ltd

Citibank (CI) Ltd 'Citifunds'

Citibank S.A.

Coutts (Jersey) Fund Managers Ltd

HSBC Fund Managers (Jersey) Ltd

Fleming Group

Foreign & Colonial Mngmt (Jersey) Ltd

INVESCO International Limited

Jupiter Asset Management (Jersey) Ltd

Lazard Fund Administration Services (CI) Ltd

Lloyds TSB Fund Managers (CI) Ltd

Lombard Odier (Jersey) Ltd

Mercury Asset Mngt Channel Islands Ltd.

Murray Johnstone (Jersey) Ltd

Royal Bank of Scotland Fund Managers (CI) Ltd

SG Hambros Fund Managers (Jersey) Ltd

LUXEMBOURG
(REGULATED)(**)

ACM Offshore Funds

Aetos International Umbrella Fund (u)

Nikko Global Umbrella Fund

Barclays Euro Funds

Scottish Equitable Intl Fund SICAV (u)

Sun Life Global Management Ltd (u)

Brunswick Russian Emerging Equities Trust

Credit Agricole Indosuez

Credit Suisse Asset Mngmt Funds

Merrill Lynch Asset Management

Daiwa Japan Small Equity Fd (u)

Dresdner RCM European Bond Fund

Egypt Trust

Emerging Markets Brewery Fund SICAV

The European Asset Value Fund

The First Korea Smaller Companies Fund

Fleming Group

Foreign & Colonial Emerging Markets Ltd

Franklin Templeton Investment Fund

Global Funds Management S.A. (u)

Goldman Sachs

HYPO Capital Mgmt Invest Luxembourg SA

Banque Colbert S.A.

Banque Ferrier Lullin (Lux) SA

Barclays Liquidity Portfolio

Sector Fund

Sogelux Fund

Unico Financial Services SA Lux

Union Bancaire Privee

Vesper Council

Winterthur Fund Mngmt Co (Lux) SA

World Trust Fund

OFFSHORE
INSURANCES

Aberdeen International Ltd

Allied Dunbar International Assce Ltd (u)

CMI Ins Co (Jersey) Ltd

Eagle Star Intl Life

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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Eagle Star Intl Life - Contd.

Equitable Life (International)

Equity Fund Managers

Eurolife Assurance Group

Fiasaco International Ltd

Old Mutual International (Isle of Man) Ltd

PanEuroLife societe anonyme

Premier Life

Royal & Sun Alliance Intl Financial Srvs

OTHER OFFSHORE FUNDS

Europe 1992

Everest Capital Limited

F.I. Franchise Asset Management Ltd

Global Asset Management - Contd.

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Continued

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

هكذا من الاصل

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

MEDIA - Continued

PROPERTY - Continued

RETAILERS, GENERAL - Continued

TRANSPORT - Continued

AIM - Continued

SUPPORT SERVICES

WATER

OIL EXPLORATION & PRODUCTION

INVESTMENT COMPANIES

AMERICANS

OIL, INTEGRATED

CANADIANS

OTHER FINANCIAL

PROPERTY - Continued

SUPPORT SERVICES - Continued

SOUTH AFRICANS

LEISURE & HOTELS

TRADED INDEX SECURITIES

AIM

Alternative Investment Market

RETAILERS, FOOD

PAPER, PACKAGING & PRINTING

GUIDE TO LONDON SHARE SERVICE

RETAILERS, GENERAL

LIFE ASSURANCE

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MEDIA

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TRANSPORT

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The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

Big sell programme puts Footsie under pressure

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A big programme trade, said by dealers to have been valued at around £1bn and weighted on the sell side, was behind the London stock market's poor performance yesterday.

Goldman Sachs and Warburg Dillon Read, two of the most powerful operators in the UK market, were both said to have been involved in programme trade activity.

The trade was described as a rebalancing of at least one of the big UK funds and was linked to the stock market debut of the newly merged BP Amoco, which is now the biggest UK company. Many leading investors will have to build market weightings in the new company. BP Amoco alone represents around 8 per cent of the FTSE 100 index.

Trading in BP Amoco dominated the London market and accounted for 18 per cent of overall business on the day not long before the close.

Overall turnover in London topped 1bn shares, the highest in a single session since the start of December, before being adjusted to 839m shares. FTSE 100 stocks accounted for around 60 per cent of the total.

"Excluding the programme trading it would have been a decent day for London," said one marketmaker.

The BP Amoco and programme trade stories vied with the launch of the euro as the day's main talking point in London's stock market.

A weak pound against major currencies, including the euro, was seen by dealers as positive for UK equities, while the weakness of Wall Street over the past couple of trading sessions and a poor showing by Asian markets yesterday were largely overlooked as UK stocks opened in good heart.

The FTSE 100 posted an early 26-point gain, only to fall away as the sell programme impacted on the market. At its worst the Footsie was down 71 points. The rally set in when London picked up hints of a good start to Wall Street.

The latter's substantial upturn saw the the Dow Jones Industrial Average up more than 150 points, taking it to within 25 points of its all-time peak, and coincided with a strong recovery in London.

By the close, the FTSE 100 was a mere 3.2 lower at 5,879.4, having swung in a three-figure arc.

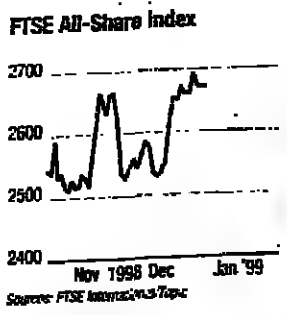
There were no such pressures affecting the MidCap and smaller stocks, although the FTSE 250 eventually settled a net 3.7 off at 4,851, having spent much of the day in positive territory.

The FTSE SmallCap, on the other hand, gave a powerful display, and never looked threatened. The index closed 11.9 better at 2,882.9, having hit a day's best of 2,083.2.

Outside of BP Amoco, it was the telecoms sector that captured the eye, with that sector providing the top five performers in the FTSE 100, thanks to a flurry of exceptionally strong new mobile phone subscriber figures for December. These confirmed the huge optimism that saw the sector outperform the UK market last year.

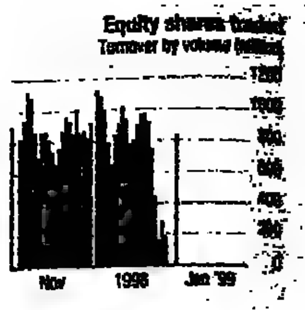
ICI was buffeted by disappointment over the failure to sell its Tioxide business to DuPont and NL Industries of the US, because of monopolies implications.

FTSE All-Share index



Sources: FTSE International/Topic

Equity shares traded
Turnover by volume (million)



Indices and ratios

FTSE 100	5879.4	-3.2
FTSE 250	4851.0	-3.7
FTSE 350	2770.8	-1.6
FTSE All-Share	2673.18	-0.74
FTSE All-Share yield	2.93	2.92

FT 30	3509.2	-42.1
FTSE Non-Fins p/e	23.28	22.44
FTSE 100 Fut Dec	5930.0	+62.0
10 yr Gilt yield	[illegible]	4.49
Long gilt/equity yld ratio	1.57	1.53

Best performing sectors

1	Telecommunications	+5.4
2	Pharmaceuticals	+2.4
3	Insurance	+1.6
4	Oil Integrated	+1.6
5	Resources	+1.5

Worst performing sectors

1	Retailers Food	-4.1
2	Gas Distribution	-3.5
3	Tobacco	-3.1
4	Electricity	-2.9
5	Utilities	-2.9

Oil bulls pile into new giant

COMPANIES REPORT

By Joel Kibazo and Martin Brice

Oil giant BP Amoco was one of the star performers as a clutch of broker recommendations and institutional interest saw investors pile into the stock, sending the shares sharply ahead and helping prevent a decline in the FTSE 100.

The US Federal Trade Commission approved the merger of BP and Amoco last week, but yesterday was the first opportunity for investors to buy into what is now the London market's biggest company and the third largest oil group in the world. It accounts for about 8.1 per cent of the Footsie.

Buyers came from several sources including: UK fund managers keen to balance their portfolio weightings; European institutions, which sat on the sidelines last month ahead of this month's launch of the euro; and US investors keen to remain exposed to Amoco.

Sentiment was also enhanced by broker recommendations, with Lehman Brothers, HSBC and Salomon Smith Barney picking the listing as one of their holdings for 1999. A note from Lehman said: "BP Amoco is one of our top picks for 1999 as we see positive momentum generated through this merger benefiting the stock at a time of a weak macro environment."

Hopes of an improvement in world oil prices also boosted the stock, while Goldman Sachs was said to have upgraded its current year earnings per share forecast for BP Amoco to 41.2p from 40.2p.

Moving against the market trend, the shares jumped 21½ to 924½p, while turnover of 187m made it the busiest stock in the market.

Elsewhere in the sector, two-way business in Shell Transport brought volume of 22m by the close. The shares finished ¾ down at 368½p.

Bumper subscriber data from mobile telephone operators combined with renewed consolidation hopes to trigger a buying spree in telecoms, last year's best performing sector.

Orange, a star performer of 1998, was the best performer in the FTSE 100 yesterday, as dealers celebrated news that the company's customer base had grown by a record 512,000 in the fourth quarter to stand at 2.162m at the end of 1998. The figures were ahead of analysts expectations of additions around 350,000. Shares rose 96 or 13.74 per cent to 794½p. Turnover was 6.2m.

Vodafone Group, which revealed 933,000 net new subscribers in the UK in the three months to the end of 1998 was also wanted. The shares rose 73 to £10.49 as turnover soared to 12m after it exceeded analysts' most optimistic forecasts.

Both Securicor and BT, joint owners of mobile telephones operator Cellnet, moved strongly ahead after it reported 668,000 net new subscribers in the fourth quarter. The former jumped 34 to 538p, while the latter appreciated 33½ to 939p after trade of 14m.

Confirmation that Bell Atlantic and AirTouch are in merger talks again raised the prospect of consolidation in the UK telecoms sector helping boost buying.

James McCafferty, the new head of the telecoms team at SG Securities, yesterday urged investors to remain buyers of the sector, citing the delivery of forecasts and continuing upgrades to top-line growth for his position.

In a note to be published shortly, the analyst said: "We believe similar factors will be at work during 1999 and retain an overweight stance on the sector."

There was little to cheer at ICI as the first session of the year brought a fresh wave of negative news for one of the worst performers in the FTSE 100 in 1998.

The UK chemicals group confirmed a press report that it failed to obtain approval from the US Federal Trade Commission to sell its Tioxide businesses to US groups EI Du Pont de Nemours and NL Industries.

ICI tumbles

The shares tumbled to 480p in the first half of the day and Martin Evans at Sutherlands said: "Today's news highlights the difficulty ICI is facing in its disposal programme in these markets."

Dealers said the company had tried to put a brave face on the disappointment as it addressed analysts in a late afternoon tele-conference.

The late rally helped the shares come off the bottom to close 29 or 5.6 per cent down at 482p.

Weekend press reports that LucasVarity was about to face a bid from a US rival saw the stock gain 7¼ to 207¾p in volume of 6.2m. US motor components group TRW was said to be a likely candidate, although European companies such as Siemens were also in the frame. A friendly merger with a US group would achieve the management's plan of moving domicile to the US, which was blocked last year by a vote of shareholders.

Inkjet printing group Xaar started the day well, as a weekend press tip saw it gain 14p. However, a profit warning at midday saw the stock lose much of its gain and it ended the day ahead 4½ at 60½p.

Computer staff recruitment stocks had a bad day as Staffware moved to damp speculation that its forthcoming results would be very strong. It fell 40 or 15 per cent to 227½p after the company said it knew of no reason for the 40 per cent gain in its shares during the previous trading session. It cautioned that the full-year result was dependent on the timing of contracts signed around the year end, making speculation premature.

Fellow IT services and recruitment group Highams Systems Services saw its illiquid shares down 15 at 70p after Irish tipsheet Techinvest suggested investors should take profits.

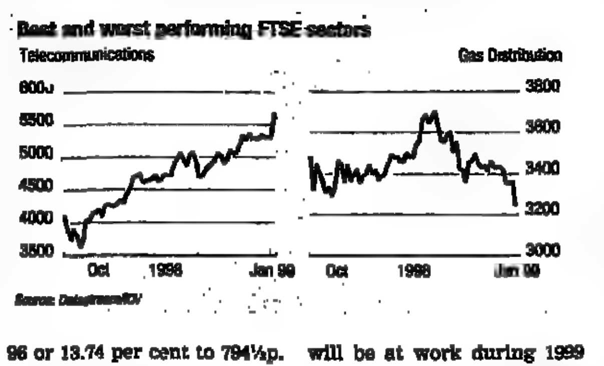
MSB International, which issued an upbeat trading statement in mid-December that seemed to calm some investor fears of a fall in demand for IT staff during a UK economic slowdown, was down 28 at 314p.

However, Aim-traded IT staffing company SBS was ahead 2½ at 200p after a bullish AGM statement that said sales and profits were ahead of expectations.

Vague talk of a bid in the pipeline for industrial instruments group Servomex saw the stock gain 10½ to 127p. The predator was said to be gas sensor company City Technology, which was a penny firmer at 200p.

However, any credence given to bid talk was undermined by directors' share buying. Servomex finance director Martin Johnston paid 115p each for 30,000 shares.

Best and worst performing FTSE sectors



Source: Datastream/ICV

FT 30 INDEX

	Jan 4	Dec 30	Dec 29	Dec 24	Dec 23	Yr ago	*High	*Low
FT 30	3509.2	3551.3	3574.9	3533.6	3555.1	2611.8	4004.9	2790.5
Ord. div. yield	2.94	2.93	2.90	[illegible]	2.92	4.10	4.22	2.72
P/E ratio net	22.84	22.89	23.12	22.87	22.98	17.38	25.41	18.80
P/E ratio nil	22.74	22.80	23.03	22.77	22.88	17.22	26.18	16.71

FT 30 since compilation: High 4004.9 7/10/98; low 49.4 26/6/40. Base Date: 1/7/35.

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3561.3	3520.4	3519.7	3519.8	3540.0	3538.1	3537.3	3543.5	3578.0	3505.5

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STOCK MARKET TRADING DATA

	Jan 4	Dec 30	Dec 29	Dec 24	Dec 23	Yr ago
SEAQ bargains	75,751	26,359	36,290	16,193	42,585	[illegible]
Equity turnover (£m)†	-	1198.2	1557.9	1017.7	2256.0	510.1
Equity bargains†	-	20,335	[illegible]	17,786	39,270	15,510
Shares traded (m)†	-	298.7	398.9	288.0	924.0	219.3
Total market bargains‡	-	3,402	35,031	19,343	44,812	-
Total turnover (£m)‡	-	820.5	1789.8	1177.5	2598.2	-
Total shrs traded (m)‡	1026.5*	146.5	438.7	319.6	899.9	-
Tradepoint turnover (£m)	3.9	4.0	1.4	0.4	4.3	1.1
Tradepoint shrs traded(m)	4.2	0.7	1.0	0.2	2.2	0.0

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	998	Total Highs	118	Total contracts	40,817
Total Falls	811	Total Lows	36	Calls	20,430
Same	1,378			Puts	20,387

Jan 4 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5890.0	5930.0	+62.0	5948.0	5840.5	34121	181048
Jun		5970.0	+62.0			0	13538

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	4863.0	4897.0	-4.0	4863.0	4863.0	1	5930

■ FTSE 100 INDEX OPTION (LIFFE) (*5879) £10 per full index point Jan 4

	5500		5550		5600		5650		5700		5750		5800		5850	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Jan	259½	53½	223	67	187	81	153	96	124	120	95½	142½	76½	172	54	200
Feb	398½	160½	359½	173½	328½	192	299	212	269½	232½	240	253	211	275	188	308
Mar	466	243½	434½	261½	403	279½	371½	297½	340½	315½	309	334	278	353	253½	379
Apr	596½	297	566	308½	516½	320½	477	333½	438½	347	400½	361½	363	376½	325½	394
Jun†	668½	410½			606½	448			540½	485½			460	525		

Calls 2,899 Puts 4,013

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point Jan 4

	5725		5775		5825		5875		5925		5975		6025		6075	
Jan	237½	53	201	65	167	82	136	101½	109	124	86	149½	64½	179	47½	212½
Feb	378	164½	344	180½	310½	196½	280	216	252½	237½	225½	260	199	283½	172½	306½
Mar	449	237½	411½	258½	384½	280½	351½	297	323	318	296	340½	274½	369	248	389
Jun	567	419½			581	450½			527½	484			485½	519		
Sept	786½	518½			737	535½			676	590			634½	644		

Calls 12,208 Puts 8,554 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1998/9 High	1998/9 Low	Stock	Close price p	+/-	Net div	Div cov	Grs yld	P/E net
-	F.P.	15.0	100	95	AIM VCT	100		-	-	-	-
-	F.P.	-	96½	91½	Abbey Natl Dutch	92½	+1	-	-	-	-
§	F.P.	35.2	118½	116½	GPS O'seas Inc	117½		Nv12.65	-	10.8	-
§	F.P.	5.10	79½	58	Do Cap	79½	+4	-	-	-	-
-	F.P.	5.88	117½	65	†Channel	117½	+4	-	-	-	-
§	F.P.	6.10	117	107	Collective Assets Tst	117		-	-	-	20.3
*220	F.P.	-	265	236	Financial Object	250	+5	-	-	-	27.4
-	F.P.	440.4	325½	229½	First Active	327½	+13	-	-	-	18.4
-	F.P.	-	147¼	105½	Five Arrows [illegible]	118½	+1	-	-	-	-
-	F.P.	37.3	12½	10	Morley B	11		-	-	-	-
§	F.P.	4.92	5½	4½	†Natural Bldg Mtls	5		-	-	-	-
§	F.P.	2.10	105	105	†Do Cnv Pf	105		-	-	-	-
-	F.P.	8.02	100	90½	Piccadilly Growth	97		1.6	0.8	2.1	76.1
100	F.P.	-	103	92	REXAM B	98	-½	-	-	-	-
§	F.P.	15.0	100	100	Singer&Frd AIM VCT	100		-	-	-	-
-	F.P.	2.51	85	75	[illegible]	77½		F6.0	2.7	7.7	3.2
-	F.P.	-	15	5	[illegible] Warrants	12½		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Dec 31	% chg on day	Dec 30	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index (28)	934.49	0.9	926.41	1088.22	1.82	936.82	1361.87	781.88
■ Regional Indices								
Africa (9)	991.70	-1.2	1003.37	1104.51	3.89	1000.52	1488.04	785.83
Australasia (9)	1169.71	0.9	1158.77	1166.18	2.63	1174.78	1600.53	818.93
Americas (11)	881.75	1.5	868.11	1041.96	0.85	883.41	1317.41	547.88

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Jan 4	Day's chge%	Euro Index	Dec 30	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5879.4	-0.1	6442.6	5882.5	5262.5	2.78	2.38	1.89	23.75	0.89	2303.49
FTSE 250	4851.0	-0.1	5315.7	4854.7	4826.7	3.45	2.95	2.15	16.88	0.86	2110.69
FTSE 250 ex Inv Tr	4855.4	-0.1	5318.3	4860.5	4860.6	3.60	3.10	2.23	15.57	0.87	2121.08
FTSE 350	2770.8	-0.1	3036.2	2772.4	2523.2	2.88	2.40	1.84	22.37	0.43	2507.91
FTSE 350 ex Inv Tr	2777.3	-0.1	3043.3	2779.0	2527.3	2.88	2.48	1.86	22.15	0.43	1289.48
FTSE 350 Higher Yield	2590.6	-0.7	2838.8	2610.2	2523.8	3.99	3.40	1.84	17.04	0.32	2013.35
FTSE 350 Lower Yield	2959.6	+0.6	3243.1	2940.5	2537.6	1.77	1.58	2.17	32.69	0.55	[illegible]
FTSE SmallCap	2082.76	+0.6	2282.27	2070.92	2328.52	3.90	3.21	2.05	15.59	1.56	1840.77
FTSE SmallCap ex Inv Tr	2039.63	+0.5	2235.00	[illegible]	[illegible]	4.17	3.49	2.17	15.02	1.59	[illegible]
FTSE All-Share	2673.18	----	2929.24	2673.92	2460.90	2.93	2.50	1.95	21.93	0.49	2455.85
FTSE All-Share ex Inv Tr	2683.45	----	2940.49	2684.48	2467.02	2.95	2.51	1.96	21.61	0.48	1268.48
FTSE Fledgling	1152.50	+0.5	1262.69	1146.36	1257.98	4.42	3.58	1.34	21.14	0.56	1298.36
FTSE Fledgling ex Inv Tr	1157.28	+0.4	1268.13	1152.44	1288.94	5.08	4.11	1.30	17.02	0.48	1310.83
FTSE All-Small	1183.45	+0.6	1296.81	1176.81	1319.00	4.01	3.29	1.89	18.49	0.62	1335.17
FTSE All-Small ex Inv Tr	1181.76	+0.5	1294.96	1175.92	1340.53	4.35	3.57	1.99	14.46	0.62	1343.38
FTSE AIM	801.5	----	878.2	801.5	997.9	1.31	1.04	0.97	80.00†	0.16	745.45

■ FTSE Actuaries Industry Sectors

	Jan 4	Day's chge%	Euro Index	Dec 30	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 RESOURCES(18)	4183.66	+1.5	4584.39	4122.95	4566.21	3.47	3.02	1.17	30.78	0.00	1952.43
12 Extractive Industries(6)	2632.94	+0.2	2885.14	2628.94	3129.64	5.18	4.78	2.00	12.08	0.00	849.24
15 Oil, Integrated(3)	4930.84	+1.6	5403.16	4852.48	5014.54	3.30	2.86	1.06	35.59	0.00	2366.01
18 Oil Exploration & Prod(9)	1412.40	+0.7	1547.69	1402.32	3609.56	3.95	3.44	0.97	32.70	0.00	884.50
20 GEN INDUSTRIALS(199)	1763.05	-1.1	1931.93	1782.00	2026.96	4.14	3.68	2.24	13.49	0.35	1055.46
21 Construction(37)	1213.69	-0.5	1329.95	1219.45	1295.33	4.20	3.41	3.01	9.86	0.46	1101.49
22 Building Matls & Merchs(29)	1571.38	-1.0	1721.90	1587.00	1768.35	4.80	4.14	2.11	12.33	0.00	876.52
23 Chemicals(20)	1820.88	-1.9	1995.30	1855.72	2626.08	5.00	4.72	1.84	13.57	0.00	946.65
24 Diversified Industrials(4)	1086.08	----	1190.11	1086.08	1268.99	8.97	5.17	1.65	12.68	0.00	689.35
25 Electronic & Elect Equip(29)	2687.60	-1.0	2945.04	2715.64	2246.66	2.86	2.42	1.95	22.57	0.00	1506.18
26 Engineering(54)	2306.32	-0.7	2527.24	2321.81	2810.96	4.18	3.76	2.23	13.39	0.73	1518.73
27 Engineering, Vehicles(10)	3360.84	-2.8	3682.77	3457.19	3509.44	2.66	2.44	3.23	14.54	0.00	1872.64
28 Paper, Pckg & Printing(16)	1473.94	-0.2	1615.12	1476.62	2148.72	7.09	6.58	2.35	7.50	2.42	881.77
30 CONSUMER GOODS(82)	6188.26	+0.6	6781.02	6148.79	5039.60	2.20	1.99	1.92	29.59	0.13	2475.17
32 Alcoholic Beverages(5)	3740.22	-1.9	4098.49	3814.46	3279.06	3.30	3.07	2.13	17.78	0.00	1499.39
33 Food Producers(26)	3749.64	-1.9	4108.81	3824.00	3384.99	2.40	2.07	2.31	22.61	0.00	1838.00
34 Household Goods & Texts(14)	2107.26	-0.8	2309.11	2123.26	3162.14	4.81	4.33	1.86	13.11	0.80	905.20
36 Health Care(14)	2471.81	-0.2	2708.58	2476.90	2295.27	2.09	1.92	2.11	28.41	0.95	1597.00
37 Pharmaceuticals(20)	11256.41	+2.4	12334.64	10988.36	8444.24	1.56	1.48	1.61	49.69	0.00	4056.33
38 Tobacco(3)	6563.58	-3.1	7192.29	6776.50	4757.26	5.24	4.37	2.04	11.71	0.00	1870.22
40 SERVICES(288)	3495.09	+0.4	3829.88	3479.68	2917.03	2.46	2.04	2.10	24.17	1.73	1945.38
41 Distributors(26)	1850.19	-0.2	2027.42	1853.13	2515.76	5.14	4.25	1.99	12.21	1.12	743.32
42 Leisure & Hotels(31)	3157.15	-2.8	3459.57	3247.26	3468.87	2.91	2.57	2.85	15.07	14.89	1812.26
43 Media(47)	4254.83	-0.8	4662.39	4288.77	4234.07	2.44	2.07	2.16	23.74	0.06	1626.32
44 Retailers, Food(13)	2650.57	-4.1	2904.46	2764.65	2762.11	3.45	2.76	2.14	18.91	0.00	1828.02
45 Retailers, General(47)	2050.96	-2.2	2247.41	2096.06	2326.48	3.65	2.93	2.09	16.37	3.24	1270.85
46 Telecommunications(7)	5599.48	+5.4	6135.84	5315.10	2811.64	1.61	1.32	1.59	48.99	0.00	2760.15
47 Breweries, Pubs & Rest.(24)	3485.34	-1.5	3819.19	3538.62	3624.02	3.60	2.92	2.22	15.64	0.00	1808.76
48 Support Services(69)	4614.09	-0.6	5056.06	4642.90	3581.20	1.36	1.16	2.77	33.18	0.19	3058.28
49 Transport(29)	3475.18	-1.8	3808.06	3538.64	2991.86	3.01	2.54	2.10	19.76	0.78	1589.40
60 UTILITIES(20)	4125.42	-2.9	4520.58	4246.45	3561.95	3.89	3.29	1.68	19.20	0.00	2007.22
62 Electricity(7)	4656.50	-2.9	5102.54	4795.58	3985.11	4.33	3.53	1.71	16.84	0.00	2781.69
64 Gas Distribution(2)	3240.90	-3.5	3551.34	3357.07	2561.52	2.08	1.67	‡	‡	0.00	1889.13
68 Water(11)	3444.30	-2.1	3774.22	3519.07	3268.83	4.86	4.49	2.38	10.81	0.00	2171.63
69 NON-FINANCIALS(601)	2738.51	+0.2	3000.82	2733.14	2462.68	2.84	2.45	1.89	23.28	0.63	2260.42
70 FINANCIALS(120)	5054.30	-0.8	5538.44	5092.96	4970.24	3.26	2.70	2.17	17.68	0.12	2366.91
71 Banks, Retail(12)	7526.95	-1.2	8247.94	7620.59	7331.65	3.41	2.72	2.14	17.15	0.00	2668.50
73 Insurance(21)	2308.52	+1.6	2529.65	2271.45	2185.02	3.08	2.90	1.91	21.30	0.12	1935.72
74 Life Assurance(6)	7263.15	-1.5	7958.87	7371.86	6305.25	2.65	2.29	2.70	17.47	0.00	3274.19
77 Other Financial(31)	3562.61	-0.3	3903.87	3572.72	3851.80	3.11	2.57	2.53	15.92	0.67	2201.24
79 Property(48)	1677.66	+0.5	1838.36	1668.82	2168.35	3.73	3.17	1.70	19.78	0.08	1118.05
80 INVESTMENT TRUSTS(117)	3588.56	+0.4	3932.30	3575.27	3465.70	2.33	1.92	1.14	46.78	1.03	1320.40
89 FTSE All-Share(838)	2673.18	----	2929.24	2673.92	2460.90	2.93	2.50	1.95	21.93	0.49	2455.85
105 FTSE All-Share ex Inv Tr(721)	2683.45	-	2940.49	2684.48	2467.02	2.95	2.51	1.96	21.61	0.48	1268.48
Information Technology	1476.04	+2.1	1617.43	1445.95	1013.38	0.64	0.51	4.21	46.54	0.00	1483.80

■ Hourly movements

	9.03	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5909.4	5863.4	5848.8	5876.4	5897.1	5887.8	5899.5	5916.7	5916.9	5811.3
FTSE 250	4857.6	4862.0	4861.6	4851.3	4848.5	4847.2	4843.8	4853.4	4865.1	4842.9
FTSE 350	2783.3	2765.3	2759.5	2769.6	2777.6	2773.9	2778.2	2785.9	2785.9	2745.6
FTSE SmallCap	2075.56	2077.53	2078.10	2079.64	2080.08	2080.24	2081.18	2083.13	2083.18	2073.84
FTSE All-Share*	2684.30	2667.86	2662.48	2671.91	2679.30	2675.81	2679.90	2687.10	2687.10	2649.73

Time of FTSE 100 Day's high: 16:00:15 Day's low: 9:49:30. FTSE 100 1998 High: 6179.0 (20/07/98) Low: 4648.7 (05/10/98)
Time of FTSE All-Share Day's high: 16:00:00 Day's low: 9:49:00. FTSE All-Share 1998 High: 2865.20 (20/07/98) Low: 2166.07 (05/10/98)

Further information is available on http://www.ftse.com.

† Sector P/E ratios greater than 80 are not shown. ‡ Values are negative. Name Changes: with effect 4/1/99: British Petroleum now BP Amoco (FTSE 100); Sleepy Kids now SKD Media (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday

	Vol 000's	Closing price	Day's change
3i	553	871½	-8½
AMVESCAP	1,300	495½	+10½
ASDA Group	20,700	160½	+2
Abbey National	2,700	1284	-32
Alliance & Leicester	1,100	880½	-30½
Allied Domecq	2,300	509½	+11
Allied Zurich	13,800	842½	+47
Anglian Water	2,800	829½	-½
Assoc. Brit. Foods	1,100	540	-10½
BAA	1,500	669½	-13
BOC	996	842	-17½
BG	19,900	359	-10½
BP Amoco	187,300	924½	+21½
Billiton	3,500	140½	-10½
BT	14,800	939	+33½
BTR	8,000	121¼	-½
Bank of Scotland	4,100	794½	-17½
Barclays	8,800	1389	[illegible]
Bass	986	880	-15
Boots	1,300	1177½	-17
Blue Circle†	1,600	302½	-7½
Boots	1,800	977	-40½
Britannic Assurance†	346	7290	-50
Brit. Aerospace	2,200	535	-4½
British Airways	2,300	389½	-8
Brit. Amer. Tobacco	2,300	513	-15½
British Energy	1,800	607	-30½
British Land†	877	466½	[illegible]
CGU	3,100	914½	-36½
CMG	98	1408	+76
COLT Telecom	668	933	+65½
Cable & Wireless	7,000	786½	+17½
Cadbury Schweppes	1,900	1018	-8
Carlton Comms.	1,200	526½	-34½
Centrica	15,000	114½	-6½
Compass	874	684½	-4
Daily Mail & Gen.†	192	2808	+25
Diageo	9,800	684	-30
EMI	816	384	-8
Dixons	1,300	857½	+8
Foreign & Col. I T	659	189½	+1½
General Electric	6,400	533½	-8
Gallaher	719	408½	-1
Glaxo Wellcome	10,200	2120	+67
Granada	1,580	1030xd	-14½
GUS	5,200	610½xd	-16½
GRE	1,680	344	+7½
GKN	872	741	-30½
HSBC (75p shs)	4,600	1583	-47
HSBC (HK$10)	3,000	1474	-46
Halifax	5,300	820	-32
Hanson	1,700	474½	-7½
Hays	2,100	482½	-30
ICI	8,100	482	-29
Imperial Tobacco	752	605	-30
Kingfisher	2,000	643	-7½
Ladbroke	1,800	221½	-10
Land Securities	2,300	770½	-3½
Legal & General	2,100	738	-22½
Lloyds TSB	15,500	858½	+14½
LucasVarity	6,200	207¾	+7¼
Marks & Spencer	5,900	395½	-12½
NatWest Bank	3,400	1139	
National Grid	5,300	467½	+10
National Power	14,800	525	+13
Northern Rock†	404	692	
Norwich Union	2,300	429	-7½
Orange	6,300	794½	+96
Pearson	1,200	1173	-30
P & O	6,000	675½	-25
PowerGen	5,400	772½	-37½
Prudential	3,900	909½	-8
Railtrack	668	1525	-46
Reckitt & Colman	5,900	781	-15
Reed Intl.	2,500	476½	-4½
Rentokil Initial	3,300	445	-4
Reuters	3,400	639½	+8½
Rio Tinto	4,000	766½	-7½
Rolls Royce	3,100	248	-3
Royal & Sun Alliance	6,100	503½	+12½
Royal Bank Scotland	5,600	982	+2
Safeway	7,000	297½	-27½
Sainsbury	5,200	459½	-31½
Schroders	179	1032	-84
Schroders N/V	90	878	-45½
Scottish & Newcastle	685	670	-24
Scot & Sthn Energy	5,700	629	-57
Scottish Power	4,100	605	-12½
Securicor	1,900	538	+34
Severn Trent	2,300	884	-39
Shell Transport	22,300	368½	-¾
Siebe	7,708	238	+1
SmithKline Beecham	23,600	893½	+13½
Smiths Inds.	319	853	-40
Stagecoach	8,400	235½	-4
Standard Chartered	5,700	697½	-13
Sun Life & Provincial	457	501½	-27
TeleWest Comms.	9,000	185½	+12
Tesco	26,200	162	-9½
Thames Water	2,400	1139	-14
Tomkins	1,000	270½	-12½
Unilever	8,900	652	-22
Utd. News & Media	2,100	575	-12
United Utilities	1,200	798	-40
Vodafone	12,700	1049	+73
WPP	13,600	339	-9½
Whitbread	4,100	753½	-18
Williams	806	379½	+12½
Woolwich	2,400	348	-18
Zeneca	2,000	2694	+77

Based on trading volume for the FTSE 100 constituent companies and reserves yesterday until 4.30pm. † Indicates a FTSE 100 index reserve. All trades are rounded. Source: Extel, part of FT Information.

هكذا من الاصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Jan 4) 1 € = 13.7603 Sch

BELGIUM/LUX (Jan 4)

FINLAND (Jan 4)

FRANCE (Jan 4)

GERMANY (Jan 4)

IRELAND (Jan 4)

ITALY (Jan 4)

NETHERLANDS (Jan 4)

PORTUGAL (Jan 4)

SPAIN (Jan 4)

EUROPE (NON-EMU)

CZECH REP (Jan 4 / Koruna)

DENMARK (Jan 4 / Kr)

GREECE (Jan 4 / Drachma)

NORWAY (Jan 4 / Krone)

POLAND (Jan 4 / Zloty)

SWEDEN (Jan 4 / Kronor)

SWITZERLAND (Jan 4 / Frs.)

TURKEY (Jan 4 / TK Lira)

PACIFIC

JAPAN (Jan 4 / Yen)

HONG KONG (Jan 4 / H.K.$)

INDONESIA (Jan 4 / Rupiah)

MALAYSIA (Jan 4 / MYR)

NEW ZEALAND (Dec 31 / NZ $)

SINGAPORE (Jan 4 / S$)

SOUTH KOREA (Jan 4 / Won)

TAIWAN (Dec 31 / TW $)

THAILAND (Jan 4 / Baht)

AUSTRALIA (Jan 4 / Aust$)

AMERICAS

CANADA

TORONTO (Jan 4 / Can $) 4 pm close

MONTREAL (Jan 4 / Can $) 4 pm close

MEXICO (Jan 4 / Peso) 12.30 pm

AFRICA

SOUTH AFRICA (Jan 4 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	THURSDAY DECEMBER 31 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	WEDNESDAY DECEMBER 30 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	199.31	1.2	177.62	142.11	172.58	218.13	1.1	3.30	195.93	174.74	142.80	171.18	213.66	219.98	163.86	200.12
Austria (21)	184.32	0.4	164.28	131.42	159.61	159.49	0.0	2.19	183.62	162.93	133.15	159.61	159.49	253.73	166.45	189.04
Belgium (22)	418.99	0.4	373.40	298.75	362.81	354.97	0.0	1.90	417.34	370.31	302.62	362.77	354.97	418.99	250.39	254.48
Brazil (32)	132.90	0.0	118.44	94.76	115.08	295.59	-0.0	3.06	132.92	117.95	96.39	115.54	295.59	288.34	102.88	238.44
Canada (117)	199.37	1.8	177.67	142.15	172.64	221.74	0.8	1.76	195.82	173.75	141.99	170.21	219.93	248.78	159.94	212.40
Denmark (34)	499.87	0.0	445.47	356.42	432.85	432.70	0.0	1.62	499.79	443.48	362.41	434.44	432.70	537.33	420.12	447.42
Finland (29)	575.37	0.4	512.75	410.25	498.22	611.40	0.0	1.64	573.09	508.52	415.56	498.16	611.40	585.93	267.59	278.52
France (75)	327.18	0.3	291.58	233.29	283.32	286.70	0.0	2.18	326.12	289.37	236.48	283.48	286.70	345.18	225.24	239.31
Germany (55)	280.95	0.4	250.38	200.33	243.28	243.28	0.0	1.33	279.88	248.34	202.95	243.28	243.28	325.61	218.59	229.42
Greece (36)	347.84	1.7	309.99	248.02	301.20	698.30	0.9	1.21	341.92	303.39	247.93	297.21	692.08	347.84	211.47	–
Hong Kong, China (67)	307.40	-0.5	273.95	219.18	266.18	305.75	-0.5	4.00	308.84	274.05	223.95	268.48	307.21	382.55	196.64	357.02
Indonesia (28)	50.14	1.9	44.68	35.75	43.42	244.53	0.0	1.25	49.21	43.66	35.68	42.78	244.53	66.07	19.04	66.07
Ireland (16)	551.37	0.2	491.37	393.14	477.44	521.07	0.0	1.87	549.97	488.01	398.80	478.07	521.07	580.44	395.98	401.53
Italy (53)	178.88	0.4	159.42	127.55	154.90	220.29	0.0	1.27	178.17	158.09	129.19	154.87	220.29	184.49	117.85	117.85
Japan (445)	100.49	1.7	89.56	71.65	87.02	71.65	0.0	1.04	98.82	87.68	71.65	85.90	71.65	109.73	76.83	95.29
Mexico (29)	1142.08	1.2	1017.80	814.33	988.95	12349.62	0.7	2.07	1128.84	1001.64	818.55	981.24	12261.90	1893.07	787.15	1808.07
Netherlands (26)	529.59	0.4	471.98	377.61	458.58	453.62	0.0	2.08	527.48	468.05	382.49	458.61	453.62	582.38	391.03	409.88
New Zealand (18)	59.01	-2.1	52.58	42.07	51.09	59.31	-2.6	4.92	60.27	53.48	43.71	52.39	60.89	77.84	45.88	76.41
Norway (37)	219.54	-0.4	195.65	156.54	190.11	227.04	0.0	2.55	220.45	195.61	159.86	191.63	227.04	357.71	181.86	319.40
Philippines (22)	90.34	0.6	80.51	64.41	78.23	175.13	0.0	0.84	89.76	79.65	65.09	78.03	175.13	106.98	42.48	79.30
Portugal (18)	257.08	0.4	229.06	183.27	222.57	300.37	0.0	1.10	255.91	227.08	185.57	222.45	300.37	298.39	194.13	–
Singapore (41)	216.19	0.1	192.67	154.15	187.21	164.39	-0.3	1.73	216.03	191.69	156.65	187.78	164.94	246.74	102.45	225.15
South Africa (38)	184.35	-0.6	164.29	131.45	159.64	237.05	-0.3	3.99	185.40	164.51	134.44	161.16	237.67	345.20	151.55	265.38
Spain (30)	399.95	0.4	356.43	285.17	346.32	429.33	0.0	1.87	398.39	353.50	288.88	348.30	429.33	417.73	271.79	271.79
Sweden (44)	502.00	0.1	447.37	357.94	434.70	602.39	0.0	1.90	501.60	445.08	363.72	436.02	602.39	628.19	379.18	469.51
Switzerland (30)	414.70	-0.2	369.57	295.69	359.10	353.13	0.0	1.21	415.67	368.84	301.41	361.32	353.13	439.48	307.73	340.80
Thailand (35)	23.72	0.9	21.14	16.91	20.54	33.45	0.0	2.83	23.52	20.87	17.05	20.44	33.45	33.84	8.15	19.80
United Kingdom (207)	378.19	-0.4	337.03	269.66	327.48	337.03	0.0	2.91	379.83	337.03	275.43	330.17	337.03	401.84	307.98	331.76
USA (619)	506.79	-0.0	451.64	361.35	438.84	506.79	-0.0	1.29	506.82	449.71	367.51	440.55	506.82	510.17	378.74	396.39
Americas (797)	449.81	0.1	400.86	320.72	389.50	381.47	0.0	1.32	449.53	398.88	325.97	390.75	381.37	452.45	343.40	380.14
Europe (733)	360.91	0.1	321.63	257.34	312.52	325.87	0.0	2.06	360.74	320.09	261.58	313.57	325.85	386.24	279.29	289.10
Eurobloc (345)	105.97	0.4	94.44	75.56	91.76	99.32	0.0	1.74	105.57	93.68	76.55	91.77	99.32	113.28	81.53	–
Nordic (144)	487.20	0.1	434.18	347.38	421.88	491.49	0.0	1.82	486.51	431.78	352.85	422.98	491.40	698.97	380.04	412.31
Pacific Basin (730)	108.06	1.4	96.32	77.05	93.59	80.52	0.0	1.55	106.57	94.57	77.28	92.64	80.49	119.48	82.88	105.89
Euro-Pacific (1453)	213.18	0.4	189.98	152.00	184.60	172.61	0.0	1.91	212.25	188.33	153.91	184.50	172.58	220.18	168.00	182.30
North America (736)	485.93	0.1	433.05	346.48	420.78	487.13	0.0	1.31	485.66	430.94	352.16	422.18	487.02	488.91	367.38	384.88
Europe Ex. UK (526)	339.59	0.3	302.63	242.13	294.06	310.48	0.0	1.66	338.65	300.50	245.57	294.38	310.38	368.32	250.03	290.67
Europe Ex. Eurobloc (388)	96.97	-0.3	86.41	69.14	83.97	95.69	0.0	2.42	97.27	86.31	70.53	84.55	95.68	108.98	77.40	–
Europe Ex. UK Ex. Eurobloc (181)	98.27	-0.1	87.57	70.07	85.09	94.06	0.0	1.43	98.33	87.25	71.30	85.47	94.02	109.21	75.16	–
Pacific Ex. Japan (285)	181.88	0.3	162.09	129.69	157.50	187.67	0.2	3.49	181.30	160.87	131.47	157.60	187.30	216.04	128.26	200.41
World Ex. Eurobloc (1953)	104.74	0.2	104.90	88.80	98.05	102.80	0.0	1.56	104.54	104.24	90.13	98.23	102.78	105.20	83.09	–
World Ex. US (1679)	212.14	0.5	189.05	151.26	183.69	177.26	0.1	1.93	211.11	187.32	153.08	183.51	177.17	221.91	185.95	186.32
World Ex. UK (2091)	300.28	0.3	267.61	214.11	260.02	266.07	0.0	1.44	299.39	265.66	217.10	260.25	266.01	300.65	234.06	246.63
World Ex. Japan (1853)	409.79	0.1	365.19	292.19	354.84	397.63	0.0	1.65	409.54	363.39	296.97	355.99	397.54	412.10	318.78	333.17
The World Index (2298)	307.02	0.2	273.61	218.91	265.86	272.67	0.0	1.59	306.33	271.81	222.13	266.28	272.61	307.98	242.08	253.86

Emerging markets: IFC Investable indices

Dollar terms

Dec 31 Market		Day's chg %	% Chg since 31/12/97
Latin America			
Argentina	797.85		-28.5
Brazil	275.08	-0.0	-43.0
Chile	451.31		-29.8
Colombia[1]	438.35	-0.1	-46.8
Mexico	479.38	-0.1	-38.2
Peru[2]	134.38		-38.3
Venezuela[3]	453.34	+0.7	-50.5
East Asia			
China[4]	26.18	-0.4	-52.8
India[5]	64.20	-1.4	-23.0
Indonesia[6]	24.21	+1.9	-28.1
Korea[5]	53.10	-0.2	+121.0
Malaysia	88.52	-0.3	-2.9
Pakistan[8]	94.57	+0.5	-61.9
Philippines	123.10	+0.8	+0.2
Sri Lanka[9]	82.38	+2.3	-29.2
Taiwan, China[8]	115.81	-0.6	-17.9
Thailand	83.17	+0.9	+34.3
Europe			
Czech Rep	50.75	-0.1	-7.3
Greece	619.31	+1.7	+91.2
Hungary[8]	280.62	+0.1	-10.8
Poland[10]	523.83	-0.3	-12.3
Portugal	292.03	+0.4	+39.4
Russia	23.45	-0.6	-84.2
Slovakia	43.80	+0.3	-55.0
Turkey[11]	146.32	+2.4	-53.1
Mideast/Africa			
Egypt	84.48	+0.3	-30.9
Israel	102.22	-0.0	-16.0
Jordan	218.56		+3.0
Morocco	167.82	+0.3	+28.7
S Africa[12]	125.21	-0.5	-30.3
Zimbabwe[13]	105.34	+7.4	-58.1
Regions			
Composite	183.72	+0.1	-24.1
Latin America	419.12	-0.0	-38.1
Asia	107.06	-0.2	-0.8
EMEA	114.31	+0.4	-22.6
Europe	149.87	+1.0	-20.5
Eastn Europe	58.13	-0.2	-58.8
ME & Africa	53.82	-0.9	-25.0
Comp + Malay	183.47	+0.1	-23.0
Asia + Malay	108.12	-0.2	+0.4

Base date: Dec 1988=100 except those noted which are: [illegible]

Latest indices were unavailable for this edition.

4 pm close January 4

NEW YORK STOCK EXCHANGE PRICES

- A -

1998/99 High	Low	Stock	Div.	Yld. %	P/E	Vol 100s	High	Low	Close Quote	Chng Prev. Close
32	17	AAR	0.34	1.5	16	571	24	22¾	22¾	-1
57	38	AMP	1.08	2.1	53	6782	52	50	51¼	[illegible]
89	45	ABN				10222	60	59	60	[illegible]
28	13	ASA	0.80	5.1	10	259	15	15	15	[illegible]
50	32	Abbott	0.60	1.2	34	17413	50	48	48	[illegible]
16	7	Abitibi	0.40	4.3	4	401	9	9	9	
37	25	ABM Ind	0.56	1.7	27	301	34	33½	33	-1
25	16	Acclimate			8	322	20	20	20	[illegible]
43	24	ACE Ltd	0.36	1.1	11	3819	34	33	33	[illegible]
11½	7	ACM Gvt In	0.90	9.8	10	868	9	9	9	[illegible]
8	7	ACM SvOpp	0.78	3.3		92	7	7	7	[illegible]
10	7	ACM Man	5.97			380	8	8	8	[illegible]
6	3	Acme Steel			21	16	4	4	4	
10		Acme Mills				40				
28	19	ACNielsen			31	1939	28	27	27	[illegible]
30	13	Acuson			21	1297	15	14	15	[illegible]
28	21	Adams Expr	0.55	2.1	1	422	27	26½	26	[illegible]
32	12	AdvMic				17995	29	27	28	
30	14	Advest Grp	0.16	0.9	8	751	18	18	18	[illegible]
33	19	Aavo Inc			19	600	27½	26	26	[illegible]
125	44	Aegon	0.78	0.6	58	1013	127½	125	125	+3
15	6½	Aerfin				7128	15	14	15½	[illegible]
72	22	Aero-V	0.80	2.9	6	2708	30	28	30	[illegible]
58	23	AES Corp			43	5177	48	47	48	+1
89	60	Aetna	0.80	1.0	13	5300	81½	79	80	+1
45	22	AffCpm			36	5119	45½	43	45	[illegible]
45	27	Aflac	0.28	0.6	25	6059	44	43	44	

advertisement

EUROBENCH® "INSECTS®" INDICES

European Benchmarks nv-sa (EuroBench) is a self-regulated, independent index publisher based in Brussels and London. The INSECTS® are pan-European equity "INdices on SECTorS" based and weighted on the volatility and correlation of each of the index constituent stocks with the sector trend. The selection of INSECTS® constituents is from the TOP 500 European stocks by market capitalisation. Values are continuously updated (every 5 seconds) on Bloomberg, Bridge, Reuters, Telerate, Telekurs and TES from 08.00 to 18.15 CET. Prices preceded by I = Indicative value. SETT = settlement

Sector		SETT 04-01-1999	Close 04-01-1999	Previous 30-12-1998	Change on day	% Change	1998 HIGH	1998 LOW
Financials	USD	I2283.86	I2315.34	2229.46	+85.78	+3.84	2451.80	1445.56
b-FIN	DEM	I2274.84	I2289.03	2503.80	+81.83	+3.14	3068.15	1650.17
Non-durable goods	USD	I2019.49	I2081.28	1968.20	+40.08	+2.03	*1968.20	1254.06
b-GOODS	DEM	I2299.51	I2320.57	2290.67	+30.90	+1.34	*2290.67	1684.77
Oils	USD	I1277.25	I1276.88	I1253.62	+23.26	+1.86	1633.55	1132.98
b-OIL	DEM	I1483.18	I1483.41	I1458.45	+17.04	+1.18	2027.16	1381.58
Pharmaceuticals	USD	I1594.97	I1595.08	1560.50	+34.58	+2.21	1669.66	1355.36
b-PHARMA	DEM	I1851.71	I1850.17	1822.52	+27.65	+1.51	2119.51	1445.82
Telecoms	USD	I2596.25	I2583.00	2500.39	+92.61	+3.70	2840.47	1507.01
b-TELCO	DEM	I3082.54	I3087.84	2920.22	+67.52	+3.08	3208.06	1862.52

Further information about the INSECTS and constituents are available for download on our web-site HTTP://WWW.EURO-INSECTS.COM and further information about EuroBench is on HTTP://WWW.EUROBENCH.COM. A free daily email service can also be subscribed to on the web. For hard copy information please call London (+ 44 171 336 7888) or Brussels (+32 2 509 94 60).

- X - Y - Z -

14	8	ZweigFdI	1.09	10.1		799	10	10	10	
10	8	Zweig Tot	0.84	8.5		570	8	8	8	

Price data supplied by Telekurs, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. vol- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
‡ Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Dec 31	Dec 30	Dec 29	1998/9 High	1998/9 Low	Since compilation High	Since compilation Low
Industrials	9181.43	9274.64	9320.98	9374.27 (23/11)	7539.07 (31/8)	9374.27 (23/11/98)	41.22 (8/7/32)
Home Bonds	106.42	106.21	105.47	107.17 (9/12)	104.42 (11/5)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3149.31	3129.84	3066.39	3686.02 (16/4)	2345.00 (8/10)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	312.30	310.92	312.57	320.51 (8/10)	262.66 (8/1)	320.51 (8/10/98)	16.53 (8/7/32)

DJ Ind. Day's high 9343.64 (9390.75) Low 9108.77 (9211.30) (Theoretical)
Day's high 9287.77 (9326.39) Low 9181.43 (9268.20) (Actual)

Standard and Poors	Dec 31	Dec 30	Dec 29	1998/9 High	1998/9 Low	Since compilation High	Since compilation Low
Composite‡	1229.23	1231.93	1241.81	1241.81 (29/12)	927.69 (9/1)	1241.81 (29/12/98)	4.40 (1/6/32)
Industrials¶	1479.16	1479.87	1494.06	1494.06 (29/12)	1077.40 (9/1)	1494.06 (29/12/98)	3.52 (30/6/32)
Financial¶	130.17	131.76	132.05	147.89 (14/7)	95.80 (8/10)	147.89 (14/7/98)	7.13 (4/9/74)
Others							
NYSE Comp.	595.81	594.27	597.05	600.75 (17/7)	477.20 (8/10)	600.75 (17/7/98)	4.84 (25/4/42)
Amex Comp	688.99	672.07	670.75	753.67 (22/4)	563.75 (8/10)	753.67 (22/4/98)	524.20 (16/7/86)
NASDAQ Cmp	2192.69	2168.95	2181.77	2192.69 (31/12)	1419.12 (8/10)	2192.69 (31/12/98)	54.87 (3/10/74)
Russell 2000	421.96	411.81	410.41	491.41 (21/4)	310.28 (8/10)	491.41 (21/4/98)	123.38 (7/12/93)

RATIOS

	Dec 24	Dec 18	Dec 11	Year ago
Dow Jones Ind. Div. Yield	1.65	1.71	1.72	1.79
	Dec 16	Dec 9	Dec 2	Year ago
S & P Ind. Div. yield	1.23	1.21	1.22	1.49
S & P Ind. P/E ratio	35.68	36.28	35.71	25.90

US DATA

MARKET ACTIVITY

Volume (million)	Dec 31	Dec 30	Dec 29
NYSE	754.860	597.880	586.490
Amex	34.658	30.394	25.569
NASDAQ	894.857	928.301	920.761

NYSE	Dec 31	Dec 30	Dec 29
Issues Traded	3,545	3,538	3,502
Rises	2,328	1,601	1,784
Falls	775	1,380	1,234
Unchanged	449	547	554
New Highs	149	132	131
New Lows	30	58	74

NYSE TRADING ACTIVITY

Volume : 754,860,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Amoco	83,959,500	59	+4¼
AmOnLne	30,132,300	160	+12
BP	13,433,600	95	+11⅝
Pfizer	12,389,600	93¼	+1⅝
Halbtn	6,782,400	29⅝	+⅛
Compaq	5,814,900	41⅞	–⅝
Edsnint	4,887,400	27⅝	+⅛
Boeing	4,644,800	32⅝	+¾
Cendnt	4,298,580	19⅛	+⅛
Citgrp	4,115,400	49½	–1⅛

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
FstBksAm	18½	+2⅞	+18.0
BP	95	+11⅝	+14.4
CorelLabs	19⅛	+2½	+13.3
Griffon	10⅝	+1¼	+13.3
Downs			
FrnkRs	32	–3⅛	–8.4
BellAtl	53½	–4	–7.0
Humana	17⅞	–1⅜	–6.9
CostFn	72	–4½	–5.9

NASDAQ TRADING ACTIVITY

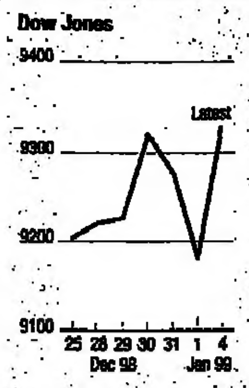
Volume :894,857,000

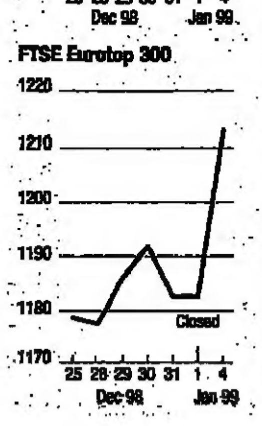
ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Copware	18,849,000	78¾	+1¼
MCIWcm	12,053,900	71¾	–⅝
DellCmp	7,515,300	73⅛	–⅛
CiscoSys	7,236,100	92⅞	+⅜
Intel	7,174,700	118⅛	–⅜
PeoplSoft	6,195,100	18⅞	+⅛
Micsft	5,844,500	138⅞	–⅛
Infmix	5,531,000	9⅝	+1⅛
Clarn Cp	5,346,900	14⅝	+⅜
Netscp	5,299,500	60¾	–1⅝

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Barnett	13¾	+2⅝	+23.6
MckFds	30	+5⅛	+20.5
Dob Stops	15	+2⅜	+18.8
TexmoxTch	17½	+2¾	+18.6
Downs			
Verio	22¾	–2⅛	–8.7
Egghead	20⅞	–1⅞	–8.5
E trade	46¾	–4⅛	–7.9
Innovex	13⅞	–1⅛	–7.8





JAPAN

	Jan 4	Dec 31	Dec 30	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Nikkei 225	13415.89	(c)	13842.17	17264.3	12880	38915.9	85.25

Day's high: 13779.65. Day's low: 13415.89

TOKYO TRADING ACTIVITY

Volume : 118,390,000

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Sakura	2,134,000	253	–6
Nomura	1,875,000	965	–20
Hitachi	1,577,000	695	–5
AsahiBk	1,295,000	407	–7
IndBk	1,198,000	516	–5
NpStl	1,186,000	204	–1
Nissan	1,159,000	350	+4
Oki El	1,109,000	312	–21
FujiBk	1,102,000	408	–8
BTokM	1,071,000	1136	–32

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
NpknPt	425	+22	+5.5
Omron	1565	+75	+5.0
KobeSt	83	+3	+3.8
MitsmH	361	+11	+3.1
Downs			
Isetd	109	–11	–9.2
HtCred	2290	–220	–8.8
ChibaBk	410	–39	–8.7
NpDeto	151	–14	–8.5

FRANCE

	Jan 4	Dec 31	Dec 30	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
CAC 40	5252.36	(c)	3942.66	4388.48	2882.54	4388.48	984.61

Day's high: 4147.50. Day's low: 3993.23.

PARIS TRADING ACTIVITY

Volume : 493,785,390

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
FrTele	2,809,718	73.3	+5.8
Axa	1,274,671	128.5	+5
RhonPA	1,233,688	45	+1.18
Vivndi	801,665	231.9	+10.8
Alctel	784,221	111	+6.7
BNP	775,421	75	+4.85
Renault	739,464	41.89	+3.63
Schndr	611,799	55.5	+3.8
Paribas	598,750	82.2	+8.15
SocGen	579,365	150	+12

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Paribas	82.2	+8.15	+11.0
Colas	198	+18.7	+10.4
Renault	41.89	+3.63	+9.5
SommerA	25.13	+2.09	+9.1
Atos	222	+18.3	+9.0
LOreal	670	+54	+8.8
Downs			
Imetal	103.8	–7.5	–6.8
Chrgrs	45.13	–1.98	–4.2

GERMANY

	Jan 4	Dec 31	Dec 30	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DAX	4147.50	(c)	5002.39	6171.43	3896.08	6171.43	931.18

Day's high: 5254.18. Day's low: 4973.35.

FRANKFURT TRADING ACTIVITY

Volume : (u)

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
Dt Tel	887,941	31.8	+3.78
DresdCh	631,870	87.5	+3.39
Bayer	564,890	37.5	+1.94
BASF	324,524	32.9	+0.38
Siemns	311,934	56	+1.04
RWE	257,937	49.8	+2.94
H'chst	251,521	36.4	+1.07
Mnnsm	245,069	110	+12.34
Metro	168,510	71.9	+3.9
Contntl	125,528	24.5	+0.98

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
Dt Tel	31.8	+3.78	+13.5
Mnnsm	110	+12.34	+12.6
Hzltz	31.35	+3.23	+11.5
Praeg	425	+40	+10.4
VW	74.1	+6.1	+9.0
Downs			
BBBig	19.3	–2.43	–11.2
Allianz	62	–4.47	–6.7
GEA	24	–1.72	–6.7

UK

	Jan 4	Dec 31	Dec 30	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
FTSE 100	5879.4	(c)	5882.6	6179	4648.7	6179	986.9

Day's high: 5916.8. Day's low 5811.3

LONDON TRADING ACTIVITY

Volume : (u)

ACTIVE STOCKS

Monday	Stocks traded	Close price	Day's change
BP Amoco	187306700	924½	+27
Silver Shield	30,465,570	1¼	
Tesco	26,245,230	162	–9¼
S'Kline Bchm	23,594,780	853½	+13½
Shell	22,310,830	386¼	–¾
ASDA	20,700,900	163¼	+2
BG	19,497,750	369	–18½
Lloyds TSB	15,484,510	869½	+14½
Centrica	14,864,860	114¼	–6¼
Br Telecom	14,815,570	939	+33½

BIGGEST MOVERS

Monday	Close price	Day's change	Day's chge %
Ups			
NXC Intl	45½	+13	+40
Division Grp	30½	+6½	+27.1
VideoLogic	63½	+11	+21
Micro Focus	120	+16½	+15.9
Downs			
Higham Sys	70	–15	–17.7
Sheffield Ut	19	–4	–17.4
BCO Tech	76½	–15	–16.4
Staffware	227½	–40	–15

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	1243.20	1248.00	+2.50	1251.50	1238.80	52,568	368,537
Jun	–	1260.30	+3.20	1260.30	–	339	8,516
Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Mar	13520.0	13390.0	–310.0	13570.0	13350.0	16,228	182,263
Jun	13440.0	13350.0	–280.0	13440.0	13350.0	5	32,980

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	3918.0	3918.9	–	3920.0	3863.0	50,589	50,780
Jan	212.0	3926.5	–	40880.0	212.0	167,583	1.01895e,+06
DAX							
Mar	5035.0	5320.0	–	5320.5	5020.0	36,450	105,058
Jun	5200.0	5347.5	–	5281.0	5200.5	110	5,818

OMX	Open	Sett Price	Change	High	Low	Est. vol	Open int.
Jan	708.00	730.00	+25.0	732.00	708.00	12,650	185,940
Feb	723.75	734.00	+27.0	734.00	723.75	96	430
EUREX							
Mar	7140.0	7471.0	+301.0	7479.0	7095.0	27,145	111,645
Jun	7335.0	7419.0	+304.0	7423.0	7335.0	8	2,005

WORLD MARKETS AT A GLANCE

Country	Index	Jan 4	Dec 31	Dec 30	1998/99 High	1998/99 Low	Yield	P/E
Portugal	BVL 30	4986.54	(c)	4794.70	6176.88 22/4/98	3599.08 2/10/98	2.1	26.7
	PSI 20	11460.30	(c)	10898.92	14283.00 22/4/98	8114.51 2/10/98		
Shares sharply higher in line with other euro-zone markets.								
Russia	RTS	(u)	58.93	59.30	411.81 5/1/98	38.58 5/10/98	na	na
Singapore	SES All-S'pore	385.07	382.51	384.64	437.88 19/3/98	253.20 4/9/98	2.32	30

THE NASDAQ-AMEX MARKET GROUP

4 pm close January 4

THE NASDAQ-AMEX MARKET GROUP

AMEX

4 pm close January 4

EASDAQ

STOCK MARKETS

Telecoms climb as euro makes firm debut

WORLD OVERVIEW

The euro made a euphoric entrance on to the European stage, as the new unified currency firmed and unleashed pent-up demand for equities, sending bourses sharply higher across the continent, *writes Michael Morgan.*

Much of Asia, by contrast, started the new year in muted fashion. Tokyo fell prey to worries about bonds and the yen, while Kuala Lumpur tumbled 4 per cent as investors called a halt to the rally that had sent the market higher in the final sessions of 1998.

Frankfurt led Europe higher with a 5.7 per cent rise, underpinned by Wall Street's strong start. Paris advanced 5.2 per cent. Helsinki put on 4.9 per cent to close at an all-time high, while Brussels also registered a record close. Milan and Madrid both shot up 5.9 per cent.

The telecommunications sector was at the centre of attention across the continent, although dealers were at a loss to explain why. One view was investors were revisiting the telecoms group thinking it offered better prospects for growth and security than some industrial sectors.

Deutsche Telekom was a runaway winner, shooting up 15.6 per cent. Some analysts suggested that the shares were lifted by reports that the company might be allowed to raise the price charged to rivals to transmit calls over Telekom's lines. However, that failed to explain rises of more than 11 per cent in each of its domestic rivals, Mobilcom and Mannesmann.

Even outside the eurozone, the mood was enthusiastic. Athens, last year's best performing European market in local currency terms, soared another 6.7 per cent to close at a record high as local investors took the view that the euro's successful launch improved the prospects for Greece's participation in monetary union.

Renewed foreign demand for bonds spilled over into a small range of blue-chips. Nicholas Georgiadis at Omega Securities in Athens said abolition of the withholding tax on bond income from the start of this year had boosted investors' interest in the banking sector.

Istanbul was not far behind with a 6.2 per cent surge as optimism grew for the rapid formation of a government to take the country to early elections in May.

Meanwhile the start of the new year continued to bring modestly optimistic analysts' forecasts for equity markets in 1999. The day also saw Morgan Stanley Dean Witter raising the weighting of equities in its model European portfolio to 62 per cent from 60 per cent at the expense of cash.

High-techs and blue chips boost Wall St

AMERICAS

Wall Street rallied on fresh enthusiasm for blue-chip and high-technology shares, as the Dow Jones Industrial Average neared the 9,300 level in active early trading, *writes John Labate in New York.*

Cyclical and financial stocks led the Dow higher. The benchmark had gained 117.66 or 1.3 per cent by midday to 9,299.09, helped by rises in DuPont, up 6.6 per cent to $56 3/16, and Minnesota Mining & Manufacturing, up $3 11/16 or more than 5 per cent at $74 13/16.

The broader Standard & Poor's 500 index was 13.37 higher to 1,242.60. As in last week's sessions, technology stocks recorded the sharpest overall gains, sending the midday Nasdaq composite 36.48 higher to 2,229.17, a gain of 1.66 per cent.

Internet stocks continued to run higher, as did selected telecoms stocks. AT&T rose $3 1/16 to $78 13/16 after Merrill Lynch upgraded its rating to "near-term accumulate". But expectations of a takeover of Airtouch by BellAtlantic had mixed results. Airtouch fell $1⅞ to $70¼ after Nationsbanc Montgomery Securities downgraded the stock to "hold" from a "buy" rating. Bell Atlantic was up $5/16 at $53 1/16.

Banking stocks were higher despite weaker US Treasuries. Chase Manhattan was up $3 1/16 to $70¾ based on merger speculation. Shares of MBNA were up $13/16 to $25 7/16 after the company raised its quarterly dividend and it reported fourth-quarter results.

US Treasuries fell back as the dollar softened against the yen. The 30-year bond, the benchmark for long-term interest rates, fell 1 5/16 at 101 1/4, sending the yield higher at 5.179 per cent.

Major internet shares were higher, sending the American Stock Exchange's internet index up 1.6 per cent at 651.59, but there were still exceptions.

America Online shares sold off, down $9 to $151, after the company reported online shopping results for the holiday period. Spyglass plunged almost 30 per cent or $6 7/16 to $15 3/16 after the company warned about its upcoming results.

Leading computer company shares were up sharply, with Microsoft climbing $6 1/16 at $144⅞.

TORONTO tracked Wall Street in early trading, pushing strongly ahead on a broad front. Led by a healthy rally for bank stocks, the 300 composite index was up 76.36 at 6,562.30 at noon.

In banks, Royal Bank of Canada gained C$1.05 to C$77.60, while Bank of Montreal rose C$1 to C$62.70 as tentative hopes for a cut in interest rates resurfaced. Canadian Imperial added 50 cents at C$38.50 and Toronto-Dominion pushed up by C$1.15 to C$54.95.

Telecoms were firm in line with the global upturn for the sector. BCE improved C$1.05 to C$58.90 and Northern Telecom climbed 85 cents to C$77.45. In industrials, Alcan gained 85 cents to C$42.35.

Golds were the odd man out, hampered by a dull bullion price. Leading shares were mixed. Barrick came off 25 cents at C$29.55 in heavy volume, while Placer Dome improved 15 cents C$17.70.

Fiscal measures prompt São Paulo optimism

SAO PAULO pushed strongly higher in early trading with sentiment bolstered by initial gains on Wall Street and optimism over a fresh round of fiscal measures.

At midsession, the Bovespa index was up 250 or 3.7 per cent at 7,035 with investors and brokers applauding the latest fiscal package. "It's positive. It meets the government's immediate cash needs," said one trader.

MEXICO CITY moved lower with an early bounce for the peso sparking negative arbitrage in leading stocks. Telmex, for example, moved lower at the opening as traders sold the local stock to buy ADRs in New York, dipping 10 centavos to 24.30 pesos.

At midsession, the IPC index was down 14.53 at 3,945.13 in what brokers described as very thin trading volumes.

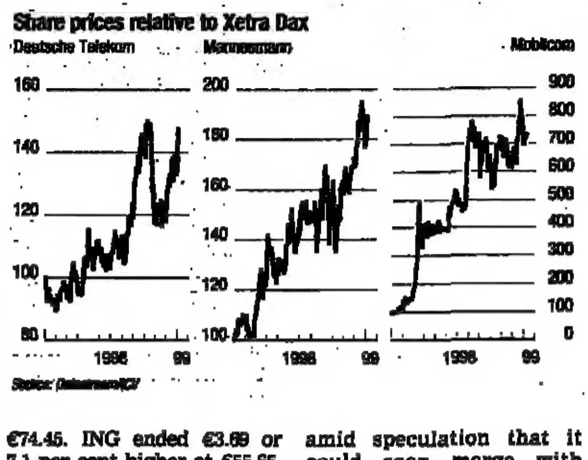
Dax greets new era with surge

EUROPE

A storming start to the first day of euro trading sent FRANKFURT spiralling 5.7 per cent upwards, its steepest one-day gain since early October. The Xetra Dax finished 283.79 higher at 5,290.36.

Telecoms, a dull feature lately on competition concerns, made up for lost time, surging strongly on a media report that market leader Deutsche Telekom could be set to step up interconnection fees.

Share prices relative to Xetra Dax



Source: Datastream/ICV

Deutsche Telekom rose €4.37 or 15.6 per cent to €32.43 and Mannesmann pushed ahead €10.80 to €109.50. Mobilcom gained €32.02 to €303. In each case, however, trading volumes were on the thin side.

Volkswagen rose €7.20 to €75.20 after positive remarks on company profits at the Detroit motor show, although analysts pointed out that the forecast of 1998 figures being well ahead had been visible at the nine-month stage.

It helped keep motors upbeat, however. BMW jumped €46.70 to €690.50 and DaimlerChrysler added €3.90 at €87.50.

PARIS ended at its high for the session, gaining 204.8 to 4,147.5, with nine individual components of the benchmark advancing more than 7 per cent, notably Paribas and Renault.

Banks in general were strong. Paribas added €8.15 or 11 per cent to €82.20, while BNP rose €4.85 to €75. Société Générale jumped €12 to €150.

In motors, Renault gained €3.63 to €41.89. France Telecom, up €5.60 to €73.30, kept in step with the broad European upswing for the telecoms sector.

AMSTERDAM ended 20.59 or 3.8 per cent higher at 558.95 on the AEX index with a strong run for financials and a chart-topping performance from telecoms leader KNP – up €5.59 or 13.1 per cent at €48.25 – supplying the main motive power.

Among the financial heavyweights, ABN Amro rose 73 cents to €18.65, while Fortis Amev jumped €3.84 to €74.45. ING ended €3.69 or 7.1 per cent higher at €55.65. The party mood somehow evaded Akzo Nobel and Unilever, which dipped 90 cents to €37.90 and €1.03 to €71.80 respectively.

ZURICH shot up 3.9 per cent on the view that there was room for Swiss shares to benefit from portfolio adjustments in the wake of the euro's launch. The SMI index put on 281.1 to 7,441.8, although trading remained on the quiet side, in line with activity during the final sessions of 1998.

Pharmaceuticals and chemicals were in demand. Novartis rose SFr122 to an all-time high of SFr2,822, while Roche certificates were SFr350 higher at SFr17,110.

Financials also posted strong gains. CS Group, a recent underperformer on worries about its exposure to Russia and Latin America, put on SFr19.50 to SFr234.50. UBS gained SFr17.50 to SFr439, while among the insurers, Swiss Re gained SFr135 to SFr3,716 and Zurich Allied was SFr41 higher at SFr1,058.

Shares in the troubled goods inspection company Surveillance slid SFr5 to SFr1,340, having turned back from a day's high of SFr1,360.

MILAN was the eurozone's best performing exchange as foreign funds reshaped their portfolios after the introduction of the euro. The Mibtel index climbed 1,402 or 5.9 per cent to 25,097.

Olivetti, the computer and telecoms group, was the most heavily traded stock amid speculation that it could soon merge with Omnitel, its cellphone unit. It ended €0.30 or 10.1 per cent higher at €3.28 after being suspended limit up earlier in the day.

MADRID posted the second biggest gain among euro-zone bourses, buoyed by Frankfurt's steep rise and buying by Spanish funds.

The fortunes of individual stocks were mixed, although telecoms enjoyed a good day in common with their counterparts across Europe.

The general index climbed 51.14 or 5.9 per cent to 918.94. The Spanish market traditionally prospers in January as fund managers spend cash that savers place in pension and investment funds ahead of the end of the tax year in December.

Telefónica, the former monopoly telephone operator, put on €2.90 or 7.6 per cent to end at €40.82. It benefited from an increase in its weighting in the general index.

Union Fenosa, the power company, was also bolstered by a rise in its weighting. The stock finished €0.96 or 6.6 per cent higher at €15.90.

Continente, the retailer, put in the most powerful performance, jumping €3.59 or 12.4 per cent to €32.01. Traders said the size of the increase reflected the relatively low liquidity of Continente shares.

Two new entrants to the Ibex-35 index of leading shares suffered yesterday after rising sharply in the last two weeks.

Acciona, the construction group, fell €7.70 or 11.1 per cent to €61.70, while NH Hoteles, the hotels group, closed €0.21 or 1.7 per cent lower at €12.20.

HELSINKI reached an all-time high as telecom shares posted strong gains. The Hex index closed 270.61 or 4.9 per cent higher at 5,835.48.

Nokia, the telecom equipment maker, accounted for about 75 per cent of total index turnover after two sluggish sessions at the end of last year. The stock climbed €3.72 or 3.6 per cent to €108.

Written and edited by Michael Morgan, Jeffrey Brown, Michael Peel and Mark Herlihy

Golds fail to lift all share

SOUTH AFRICA

Investors continued to pocket profits in Johannesburg, sending the all share index down 25.6 at 5,404.9 in spite of a good day for gold shares.

Both financials and industrials closed above their session lows. The former ended 1 per cent lower at 8,353.6, while industrials finished little changed, off 0.05 per cent at 6,261.5.

Golds shrugged off a dull bullion price with a rise of 1.2 per cent to 881.9.

Nikkei slips on bond concerns

ASIA PACIFIC

In a shortened first trading day, TOKYO made a dismal start to the new year, *writes Alexandra Nusbaum.*

The Nikkei 225 Average fell 3 per cent on concerns about the Japanese government bond market and the yen's strength. The yield on the 10-year bond continued to hover around 1.99 per cent and the yen strengthened to Y113 against the dollar.

The Nikkei 225 average fell 426 to close at its session low of 13,415.89 after trading as high as 13,779.05. The more representative weighted Nikkei 300 tumbled 2.11 per cent or 4.56 to close at 211.53. The Topix index of all first-section shares was off 2.03 per cent or 22.07 at 1,064.92.

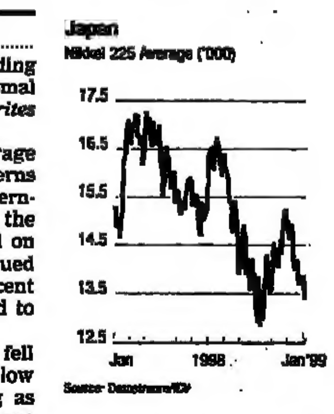
Volume was light, with only 118m shares traded. Momentum was down with 940 shares declining, 180 rising and 125 unchanged.

The real estate sector fell 3.95 per cent. This hit the warehouse sector, which dropped 5.1 per cent, because it depends on rental income from real estate operations.

The air transportation sector was down 3.5 per cent. All Nippon Airways fell 4.6 per cent, or Y17 to close at a 12-month low of Y366.

Japan

Nikkei 225 Average ('000)



Source: Datastream/ICV

The oil sector fell 3.58 per cent in spite of the stronger yen. Showa Shell was down Y35 to close at Y600. Tonen closed at Y595, down Y35. Nippon Oil dropped Y15 to close at Y379.

Oki Electric, a member of the Fuyo Group, fell Y21 to close at Y312. Fuji Photo Film was down Y120 to close at 4,080. Sony was off Y180 at Y8,050. Honda Motor was down Y130 at 3,580.

In Osaka, the OSE fell 296 to 14,507.

KUALA LUMPUR fell sharply as investors took profits in blue-chip companies, ending the rally the market enjoyed in the last days of 1998.

The composite index closed 24.48 or 4.2 per cent lower at 561.65. The index had risen 9.1 per cent in the previous six days' trading.

The biggest sufferers were stocks that had notched impressive rises in the final days of last year. Telekom Malaysia, which put on 18.3 per cent in six sessions, came off 55 cents or 5.5 per cent to M$9.45.

Tenaga, the power company, gave back some of the 31.1 per cent gain it made over the same period. It finished 70 cents or 9 per cent down at M$7.10.

SEOUL, by contrast, shot higher on positive economic news and hopes for a debt upgrade at market heavyweight Kepco. In hectic trading, the composite index ended 25.11 or 4.5 per cent higher at 587.57.

Samsung Electronics jumped 9.7 per cent to Won86,800 and Pohang Iron and Steel rose 4.2 per cent to Won67,200.

Kepco, which Moody's said was possibly in line for a foreign currency debt upgrade, gained 5 per cent to Won31,000.

Korea Telecom was the day's most active stock. The shares, due to enter the Kospi next month, advanced 15 per cent to Won43,700 in 15.6m traded.

HONG KONG tumbled 2.4 per cent on concerns generated by the fall in the Tokyo market and the strength of the yen, both seen to be reactions to the launch of trading in the euro.

The Hang Seng index closed 239.41 lower at 9,809.17 in weak turnover of HK$2.2bn.

Properties led the market lower, followed by finance. Real estate developer Sun Hung Kai Properties sank HK$1.50 or 2.7 per cent to HK$55, while Henderson Land slid HK$1.70 or 4.2 per cent to HK$38.40 and Hang Lung Development lost 35 cents to HK$7.95.

Banking giant HSBC Holdings tumbled HK$5 to HK$188, while among the conglomerates Hutchison Whampoa eased HK$1.50 to HK$53.25.

BOMBAY enjoyed a new year rally. The BSE-30 index finished 61.7 or 2 per cent higher at 3,122.04.

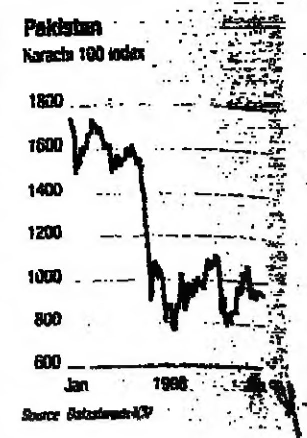
EMERGING MARKET FOCUS

Failed talks add to Karachi's ills

Pakistan's equity prices are likely to remain subdued today, in the wake of lawlessness across the country, economic uncertainty and yesterday's breakdown of talks between ICI and DuPont over the sale of a chemical plant near Karachi.

Pakistan

Karachi 100 index



Source: Datastream/ICV

For months, market analysts had followed talks between the two giants over ICI's expected sale of part of its pure terephthalic acid plant to DuPont.

ICI shares yesterday fell Rps1.20 at Rps10.60. The KSE 100 index of the Karachi Stock Exchange closed at 943.97, down 8.45.

An ICI statement only confirmed the talks had ceased, but gave few further details. "This is certainly a setback to market sentiment," said Yasin Lakhani, chairman of the Karachi Stock Exchange.

Analysts said the market outlook remained under pressure, mainly due to concerns over Pakistan's investment climate.

The country now appears to be heading towards finalising a loan programme with the International Monetary Fund this month, and rescheduling a portion of its foreign debt from the Paris club and commercial banks.

Although no formal date has been announced yet, the IMF's board of executive directors is expected to meet in Washington this month to consider the loan request, essential to stave off a foreign debt default.

However, investigations into alleged corruption in Hub power company contracts continue to send jitters through investors.

Last month, many analysts were convinced Pakistan had reached an understanding with the World Bank over backing away from its controversial investigations, which have become embroiled in polarised party politics.

The government of Nawaz Sharif, the prime minister, has been accused of launching its anti-corruption investigations in the power projects to collect evidence of alleged corruption against Benazir Bhutto, the former prime minister.

The objective of the move is to score political points rather than press ahead with economic reforms, it is argued. Despite reports of promises to the World Bank, analysts say the main anti-corruption agency shows no sign of backing away from its investigations.

Despite official claims to the contrary, some analysts say the economic outlook remains weak, months after Pakistan braved western economic sanctions following its nuclear tests.

While many of the sanctions appear to have eased, the economy has suffered from steps such as the government's decision to freeze all onshore foreign currency accounts. Depositors are only allowed to cash funds at a fixed rate about 20 per cent below the open market.

"Unlike previous years when January was a time for a market rally, this year is different because of all the prevailing problems," said Sikandar Khawaja, country head at HSBC Investment bank. "Right now, Pakistan is looking so troubled, no new funds would come for the time being".

Farhan Bokhari

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